BALASORE ALLOYS LIMITED

BOARD OF DIRECTORS

Mr Pramod Mittal, *Chairman*
Mr V K Mittal
Mr Mahesh Trivedi
Mr S Mohapatra
Mr S K Pal
Dr A K Bhattacharyya
Prof S K Majumdar
Mr K P Khandelwal
Mr R N Pandey
Mr R K Jena, *Managing Director*
Mr C R Pradhan, *Director - Operations*

GENERAL MANAGER & COMPANY SECRETARY

Mr Trilochan Sharma

BANKERS

State Bank of India
State Bank of Hyderabad
Allahabad Bank

AUDITORS

M/s S R Batliboi & Co
Chartered Accountants
22, Camac Street, 3rd Floor, Block "C",
Kolkata - 700 016, India
Tel.No + 91-33-22811224 (6 Lines)

REGISTRARS & TRANSFER AGENT

MCS Limited
Unit : Balasore Alloys Ltd.
77/2A, Hazra Road,
Kolkata - 700 029, India
Tel No. + 91-33-24541892/1893
Fax No. + 91-33-24541961
E-mail : mcskol@rediffmail.com

REGISTERED OFFICE & WORKS

Balgopalpur - 756 020
Dist. Balasore, Orissa, India
Tel. Nos. +91-6782-275781-85
Fax No. +91-6782-275724
E-mail: ispatalloys@yahoo.co.in
investorshelpline@balasorealloys.com
Website : www.balasorealloys.com

INTERNAL AUDITORS

M/s Das & Prasad
Chartered Accountants
Diamond Chambers,
4, Chowringhee Lane,
8th Floor, Room No. 8F, Block - 3rd,
Kolkata - 700 016, India
Tel. No. +91-33-2252-1911 (3 Lines)

MINES OFFICE

(I) Chrome Ore

Plot No. 1003, (Opp. PWD IB),
Dhabalgiri, Post Sobra,
Jajpur Road - 755 019, Dt. Jajpur
Tele Fax No. + 91-6726224384

(II) Manganese Ore

(a) Ward No. 5, At & PO Katangi,
Dt. Balaghat (M.P.) - 481 445

(b) Joda, Dist. Keonjhar
Orissa - 758 035

ADMINISTRATIVE OFFICE

Park Plaza, 71, Park Street, 1st Floor,
Kolkata - 700 016
Phone No. +91-33-22178192
Fax No. +91-33-22292278
E-mail: ispatalloys@yahoo.co.in
investorshelpline@balasorealloys.com
Website : www.balasorealloys.com

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From the Managing Director's Desk

Vision
"To be a globally trusted Supplier of Ferro Alloys as well as to Create Sustained Value Addition for all Stakeholders"

Dear Shareholder,

The year 2008-09 has been a tumultuous one with exceptional buoyancy in the first half and unprecedented global economic crisis in the second. During the first two quarters your Company could achieve very high productivity and profitability but the real strength of your Company came to the forefront during the third and fourth quarters which saw majority of the Ferro Alloys producers across the globe shutting down their units or drastically reducing their scale of operations.

Your Company took several proactive measures which helped to sustain full scale operation against all odds and emerge as a much stronger entity with a robust business model. The major focus during the third and fourth quarters was cost optimization, marketing acumen & foresight as well as overall operational excellence. Your Company continued to maintain less than two days inventory during the difficult market scenario as compared to majority of Ferro Alloys producers who were holding more than two months stock and were forced to reduce their scale of operation. The excellent Customer Relationship Management of your Company helped in generating additional revenue through trading activity.

If we look at the financial numbers, the first half of the year 2008-09 showed a positive trend with a PBT of Rs. 5826.51 lacs and PAT of Rs. 3558.13 lacs. However, the global economic meltdown from the beginning of third quarter had a major impact on the profitability of your Company. The adverse impact due to valuation of raw material inventory and depreciation in the value of Indian Rupees against US Dollar resulted in substantial reduction in profitability during the year 2008-09 and your Company closed with a net profit of Rs. 93.59 lacs.

After the economic downturn in 2008-09, the future of Ferro Chrome industry appears to be quite promising with a growing demand of Stainless Steel at global level which has been driven by growth in Infrastructure and related sectors with corresponding increase in Ferro Chrome demand. Your Company is well organized to utilize every opportunity since it has achieved significant improvement in all operational parameters & optimized the productivity levels with the existing infrastructure. We are also looking at new horizons and with a vision to be a leader in the Ferro Alloys industry, your Company has planned for strategic investment in the area of Capacity Enhancement, Captive Power Generation & various developmental activities in mining operations. The lender of your Company has approved & implemented the second restructuring package under CDR mechanism.

Your Company continues to accord high priority to meet the requirement of various stakeholders like customers, suppliers, bankers, employees & society. The highly skilled & motivated workforce has been the backbone of your Company and they have demonstrated their resilience under most challenging circumstances. Your Company has also maintained a very congenial relationship in the periphery and the society at large which has generated lot of goodwill and support.

I trust that the year ahead will be marked with overall development and growth, while adding value for all stakeholders. I am confident that all of you will continue to support us in our journey of excellence to reach newer heights.

Thanking you,

R K Jena
Managing Director

BALASORE ALLOYS LIMITED

Regd. Office : Balgopalpur - 756 020
Dist. Balasore, Orissa.

NOTICE

NOTICE is hereby given that the Twenty-First Annual General Meeting of the Members of Balasore Alloys Limited will be held at the Registered Office of the Company at Balgopalpur - 756 020, Dist. Balasore, Orissa, on **Friday, 18th September, 2009 at 9.30 A.M.** to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2009 and Profit & Loss Account of the Company for the financial year ended 31st March, 2009 together with the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr M Trivedi, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr S Mohapatra, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company for the period commencing from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

5. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

   "RESOLVED that Mr R N Pandey, who, pursuant to Section 260 of the Companies Act, 1956 holds the office of Additional Director of the Company upto the date of this Annual General Meeting, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, whose period of office shall be liable to retire by rotation."

6. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

   "RESOLVED that Mr C R Pradhan, who, pursuant to Section 260 of the Companies Act, 1956 holds the office of Additional Director of the Company upto the date of this Annual General Meeting, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

7. To consider, and if thought fit, to pass with or without modification(s) the following resolution as a **Special Resolution:**

   "RESOLVED that pursuant to the provisions of Section 198, 269, 309, Schedule XIII and other applicable provisions of the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof, for the time being in force and subject to the such statutory approvals as may be necessary, the consent of the Company be and is hereby accorded to the appointment of Mr C R Pradhan as Whole Time Director, designated as Director - Operations, of the Company for a period of 3 years w.e.f. 29th May, 2009 on the terms and conditions, including remuneration, as set out in the Agreement dated 30th May, 2009 entered into between the Company and Mr C R Pradhan, which agreement be and is hereby also approved."

   "RESOLVED FURTHER that the remuneration as contained in the said agreement be paid to Mr C R Pradhan as minimum remuneration."

   "RESOLVED FURTHER that the Board of Directors be and is hereby authorised to alter and vary the terms and conditions of the said appointment and/or Agreement in such manner as may be agreed to between the Board of Directors and Mr C R Pradhan from time to time and the terms of the aforesaid Agreement shall be suitably modified to give effect to such alteration and/or variation."

   RESOLVED FURTHER that Mr C R Pradhan is entitled to such annual increments as may be decided by the Board on the basis of his performance, such increment shall become effective from 1st April every year."

By Order of the Board

Kolkata
24th July, 2009

Trilochan Sharma
General Manager & Company Secretary

NOTICE - (Contd.)

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THIS MEETING**.
2. The Explanatory Statement, pursuant to section 173(2) of the Companies Act, 1956, in respect of business at item Nos. 5, 6 and 7 above is annexed hereto.
3. In accordance with the provisions of Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Register of the Company will remain closed from Wednesday, 16th September, 2009 to Friday, 18th September, 2009 (both days inclusive).
4. Members, who have multiple accounts in identical names or joint accounts in the same order in more than one folio, are requested to send all the Share Certificate(s) to the Registrars and Transfer Agent of the Company for consolidation of all such shareholdings into one folio to facilitate better service.
5. All requests for transfer of Equity Shares and allied matters along with the relevant transfer deeds, share certificates and copy of PAN Card should preferably be sent directly to the Company's Registrars and Transfer Agent, M/s MCS Limited, Unit- Balasore Alloys Ltd, and those Members who are holding shares in dematerialized form may send their advise on transfer and allied matters through their Depository Participants (DP) to the Depository.
6. Members are requested to notify immediately of any change in address to:
   a) Their respective DPs in respect of holding of shares in dematerialized form.
   b) The Registrars & Transfer Agent, M/s MCS Limited, Unit - Balasore Alloys Ltd, 77/2A, Hazra Road, Kolkata - 700 029 in respect of shares held in physical form.
7. Members are requested to intimate to the Company queries, if any, regarding the audited accounts / notice at least ten days before the Annual General Meeting to enable the Management to keep the information ready at the Meeting.
8. In accordance with Clause 49 of the Listing Agreement, the brief profile regarding each of the Directors seeking re-appointment / appointment in respect of business under Item Nos. 2, 3, 5, 6 and 7 of this Notice for the forthcoming Annual General Meeting is annexed hereto.
9. Section 109A of the Companies Act, 1956 extends the nomination facility to individual shareholders of the Company. Therefore, Shareholders having physical holdings and willing to avail of this facility may make nomination in the prescribed Form 2B. In case shares are held in dematerialized form, the shareholders would have to approach their respective DP for registering their nomination. The prescribed nomination form can be obtained from the Company's Registrars and Transfer Agent. The members may take advantage of this facility, if they so desired.
10. **Members may note that the shares of the Company are to be compulsorily traded in dematerialized form and hence, those members who are still holding their share certificates in physical form are requested to get the same dematerialized.**
11. **Members/Proxies are requested to bring their copy of Annual Report to the Meeting and the attendance slip sent herewith, duly filled in with correct Folio No.(s) (in case of physical shareholding) and correct Client ID and DPID numbers (in case of shares held in demat form) for easy and quick identification of attendance at the time of the meeting.**

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.5

The Board of Directors of the Company, at its meeting held on 30th January, 2009, appointed Mr R N Pandey as Additional Director of the Company with effect from that date. In terms of Section 260 of the Companies Act, 1956 (the 'Act') read with Article 141 of the Articles of Association of the Company, Mr R N Pandey will hold office of Additional Director upto the date of this Annual General Meeting. The Company has received a notice in writing with the requisite deposit from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose Mr R N Pandey for appointment as a Director of the Company. Pursuant to Section 264 of the Companies Act, 1956, Mr R N Pandey has consented to act as a Director, if appointed.

The Board recommends the resolution for your approval in the interests of the Company.

None of the Directors, other than Mr R N Pandey, is concerned or interested in this resolution.

ANNEXURE TO NOTICE - (Contd.)

Item No.6 & 7

Mr C R Pradhan is a Mechanical Engineer with 40 years of experience in the field of Erection, Commissioning, Operations & Maintenance of Coal & Gas based Power Projects.

Mr Pradhan was awarded Gold & Silver Medals by Govt. of India (Ministry of Power) for his outstanding performance in Operation & Maintenance of Singrauli & Rihand Super Thermal Power Stations.

He is being associated with the Company for the past two years and had held key position in the Company. He has benefited the Company from his rich and varied experience in the field of Erection, Commissioning, Operations & Maintenance of Coal & Gas based Power Projects and continues to do so.

During his career, he was associated with various reputed organization like NTPC, Bhilai Electric Supply Company, BHEL and Orissa State Electricity Board over a period of 40 years. It is believed that Mr C R Pradhan's induction on the Board will be of immense benefit to the Company.

The Board of Directors at their meeting held on 29th May, 2009 appointed Mr Pradhan as a Whole Time Director designated as Director - Operations and approved the remuneration payable to him, as recommended by the Remuneration Committee, at a basic salary of Rs. 60,000/- per month, alongwith perquisites and allowances upto a maximum of 125% of his annual salary as aforesaid, subject to the approval of the shareholders at the General Meeting and other requisite approvals in this regard as may be necessary.

The proposed remuneration shall be the minimum remuneration payable to Mr Pradhan during any year during the currency of his tenure but shall not, however, exceed the limits prescribed under Paragraph 1(B) of Section-II, Part-II of Schedule XIII of the Act.

The salient features of the terms and conditions of the appointment and remuneration payable to Mr C R Pradhan are as under:

(a) **Salary** Rs. 60,000/- (Rupees Sixty thousand) per month in the scale of Rs. 50,000/- to Rs. 2,00,000/-. The annual increment shall be effective from 1st April each year and shall be decided by the Board on the basis of his performance.

(b) **Perquisites, Benefits and Allowances:**

(i) In addition to the salary, Mr C R Pradhan shall also be entitled to perquisites, benefits and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and such perquisites, benefits and allowances will be subject to a maximum of 125% of his annual salary.

(ii) For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the IncomeTax Rules, wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual cost. Provision for use of company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

(iii) He shall not be entitled to any sum of money on account of Provident Fund and Superannuation or Annuity Fund and the Company shall not contribute any sum towards the aforesaid funds on his account.

(c) **Other terms and Conditions:**

I. The Company shall also pay the above remuneration as minimum remuneration notwithstanding the fact that the Company has no profit or its profits are inadequate during any year.

II. The terms and conditions of the appointment and/or agreement are subject to the provisions of Sections 198 and 309 of the Companies Act, 1956 and may be altered or varied from time to time by the Board as it may, in its discretion, deem fit within the maximum amount payable in accordance with the Schedule XIII of the Companies Act, 1956 or any amendment made hereafter in this regard.

The Resolutions set out in Item No.6 & 7 of the accompanying Notice is intended to obtain the consent of the shareholders relating to appointment and remuneration payable to Mr C R Pradhan.

The Board recommends the resolutions as set out in the accompanying Notice for your approval in the interests of the Company. Mr C R Pradhan may be deemed to be concerned or interested in the Resolution. No other Director has any concern or interest therein.

This may also be treated as compliance under the provisions of Section 302 of the Companies Act, 1956.

By Order of the Board

Kolkata
24th July, 2009

Trilochan Sharma
General Manager & Company Secretary

ANNEXURE TO NOTICE - (Contd.)

DETAILS OF DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT AT THE 21ST ANNUAL GENERAL MEETING.

(Pursuant to Clause 49 of the Listing Agreement)

Name of Director	:	**Mr M Trivedi**	**Mr S Mohapatra**	**Mr R N Pandey**	**Mr C R Pradhan**
Date of Birth	:	01.12.1940	06.01.1936	01.10.1948.	28.06.1943
Date of Appointment	:	15.01.1992	27.06.2001	30.01.2009	29.05.2009
Qualifications	:	M.A (Eng.)	B.Sc. - Tech (Hons), I.I.T. Kharagpur - Applied Geology & Geo-physics.	B.Sc - Engineering (Mechanical) Institute of Technology, Banaras Hindu University.	B.Sc - Engineering (Mechanical)
Expertise in specific functional areas	:	Having rich experience in managing large projects & steel plants.	Retired Ex-Director of Mining & Geology Government of India, having rich experience of mining & exploration	Having rich experience and expertise in the areas of production, despatch, maintenance, operations and projects. Associated with SAIL for more than 37 years & holding key positions, including Executive Director – Safety and Executive Director - Centre for Engineering & Technology.	Having rich experience and expertise, inter-alia, in the areas of Project Planning & Execution and Setting-up of Thermal Power Plant. During his career, he was associated with various reputed organization like NTPC, Bhilai Electric Supply Company, BHEL and Orissa State Electricity Board over a period of 40 years.
List of Companies in which outside Directorship held	:	**Director** Gontermann-Peipers (India) Limited	**Director** Industrial Development Corporation of Orissa Ltd. Lloyds Metal & Enginering Ltd	**Director** Gontermann-Peipers (India) Limited	Nil
Chairman/Member of the committes of the Board of the Companies on which he is a Director	:	**Audt Committee** Gontermann-Peipers (India) Limited - Chairman **Share Transfer & Investors' Grievance Committee** Gontermann-Peipers (India) Limited - Chairman **Remuneration Committee** Gontermann-Peipers (India) Limited - Chairman **Financce Committee** Gontermann-Peipers (India) Limited - Chairman	Nil	**Audit Committee** Gontermann-Peipers (India) Limited - Member **Remuneration Committee** Gontermann-Peipers (India) Limited - Member **Share Transfer Committee** Gontermann-Peipers (India) Limited - Member	Nil
Details of shareholding (Both own or held by/ for other persons on a beneficial basis), if any, in the Company.		252 shares held in his name	Nil	Nil	Nil

DIRECTORS' REPORT

Your Directors submits their 21st Report on the business and operations of the Company together with Audited Accounts for the financial year ended 31st March, 2009.

STATE OF COMPANY'S AFFAIRS - FINANCIAL RESULTS

(Rs. in Lacs)

			Financial year ended 31st March, 2009		15 months period ended 31st March, 2008
1.	Sales/Income from operations		**65689.46**		55039.57
	Less: Excise Duty		**1816.03**		1953.95
			63873.43		53085.62
2.	Other Income		**1123.62**		1186.51
3.	Total Income (1+2)		**64997.05**		54272.13
4.	Total Expenditure		**58283.89**		44094.23
5.	Profit before Interest & Finance charges and Depreciation (3-4)		**6713.16**		10177.90
6.	Interest & Finance Charges		**4457.79**		3162.58
7.	Depreciation		**1185.39**		1836.74
8.	Profit before Prior Period Items & Taxes (5-6-7)		**1069.98**		5178.58
9.	Prior Period Items (Net)		**361.83**		61.75
10.	Profit before Taxes (8-9)		**708.15**		5116.83
11.	Provision for Taxes				
	– Current Tax	**99.97**		(35.07)	
	– Deferred Tax Charge	**514.59**	**614.56**	1822.79	1787.72
12.	Profit after Taxes (10-11)		**93.59**		3329.11
	Add: Balance brought forward from previous year	**9485.71**		6299.59	
	Less: Adjustment towards additional Employee benefit (Liability)	**—**	**9485.71**	142.99	6156.60
	Amount carried to next year		**9579.30**		9485.71

TRANSFER TO RESERVE

Reserve and surplus of the Compay stood at Rs.20806.03 lacs at the end of the financial year ended 31st March, 2009 as against Rs.22866.99 lacs at the end of the previous 15 months period ended on 31st March, 2008. The reduction is on account of additional depreciation on revalued assets, which has been appropriated from General Reserve.

FINANCIAL REVIEW

The financial results of your Company have been adversely affected due to global economic meltdown and recession in the industry worldwide. Unprecedented crash in Ferro Alloys prices and prices of raw materials such as Chrome Ore Lumps, Coal and Coke adversely impacted the valuation of inventories by Rs.1666.06 lacs .Further, significant depreciation in the value of Indian Rupee against US Dollar owing to abnormal financial conditions prevailing globally resulted in lowering the profits for the year by Rs.6075.59 lacs.

Nonetheless, your Company earned net profit of Rs.93.59 lacs for the financial year ended 31st March, 2009 as against Rs. 3329.11 lacs during the previous fifteen months period ended 31st March, 2008. Profit Before Tax (PBT) is recorded at Rs. 708.15 lacs for the financial year ended 31st March, 2009 as against Rs.5116.83 lacs registered in the previous fifteen month period ended 31st March, 2008. Turnover for the financial year ended 31st March, 2009 increased by 50.40% (annualised) to Rs.63873.43 lacs as against Rs.53085.62 lacs during the 15 months period ended 31st March, 2008. Export Turnover for the financial year ended 31st March, 2009 increased by 52.64% (annualised) to Rs.49474.53 lacs as against Rs.40514.75 lacs during the previous fifteen month period.

DIRECTORS' REPORT (Contd.)

DIVIDEND

The compelling need of the hour is to maintain better liquidity position and conserve existing resources of the Company. As such, your Directors are constrained not to recommend any dividend for the year under review.

OPERATIONS

The production during the period under review was 88,846 MT as against 1,12,446 MT for the previous 15 months period ended 31.03.2008.

The year under review was unprecedently volatile for the Ferro Chrome Industry as it started with rising Ferro Chrome (FeCr) prices and Long Term Bench Mark (LTBM) price reaching to historic high. Global turmoil in financial market, dire end-demand and industry de-stocking rapidly ended the Ferro Chrome price climb by the second half of the year. Stainless Steel output reduced dramatically and most of the FeCr producers in the Industry took precautionary steps by way of sharply cutting back output in face of lack of demand and Global FeCr stock reached all time high at 24 weeks consumption. Your Compay, however, maintained normalcy in its operations owing to some effective strategic steps like maintaining minimum Finished Goods inventory without reducing output, reduction of Cost of Production by optimising consumption norms through effective usage of captive and low cost raw materials and enhanced focus on export markets.

EXPORT

Export of Ferro Chrome constitutes 77% of the total turnover of the Company. The Company exported 68726 MT valued at Rs.49474.53 lacs during the financial year ended 31st March, 2009 under review as against 81486.10 MT valued at Rs.40514.75 lacs in the previous fifteen month period ended 31st March, 2008, registering a growth of 52.64% (annualised) in export turnover.

While no one is immune to such severe cyclicality of the business and volatility in market conditions, it is heartening to note that your Company has been able to maintain output and stock at normal level throughout the year through its efforts and focus in export market and support of valued customers. Your Company not only exported own production during the downturn market situation, but also explored trading opportunity by buying from the competitors who were carrying big inventories and selling that in export market to earn additional profit for the Company.

FUTURE PROSPECTS

With businesses booming and busting in a matter of months, there could not have been any year more challenging and volatile than the financial year 2008-09 in the history of the Company. After the economic downturn in 2008-09, the future of the Ferro Chrome industry appears to be quite promising. Recent stimulus packages by various governments have focused on development of infrastructure. The growing usage of stainless steel in architecture, building and infrastructure fuels the demand in the long term. Huge destocking of Ferro Chrome throughout the world has led the stainless steel mills in China, India and Korea to start fresh buying. This amplified buying in the tight supply situation has given an upward swing to price which is expected to be stable through this year.

PROJECTS

In the previous year your Board of Directors had approved CAPEX Plans of the Company for setting up captive power plant, capacity enhancement and upgradation of switch yard, capacity enhancement of chrome ore beneficiation plant, upgradation of existing furnaces and setting up of new Ferro Chrome furnace. However, in view of the turbulent economic conditions during the year 2008-09 your Board of Directors has taken a decision to priorities its CAPEX requirements and accordingly your Compay has taken up setting up of power plant on its top most priority.

Ferro Chrome is a power intensive industry and power contributes about 45% of the variable cost of production. Your Company at present is totally dependent on the state power supply company, where the quality and consistent supply of power remains a concern area. Considering the present monopolistic situation of power in the state, setting up of captive power plant is the most urgent and need based project of the Company necessary for its long term survival. Substantial progress like acquiring of land, tie-up of the coal linkage and various Government clearances/approvals, has already been made in this regard. The Company is in the process of obtaining necessary approvals from Government Agencies and Financial Institutions and securing financial tie-up for the project.

MINES

The Company is having chromite ore mines located at Sukinda velley, Jajpur, Orissa, manganese ore mines located at Hathoda, Balaghat, Madhya Pradesh and at Joda, Keonjhar district, Orissa.

DIRECTORS' REPORT (Contd.)

AWARD AND RECOGNITION

The Company has been awarded by various organisations and statutory bodies in recognition of its contribution to the industry and society.

The Compay has received the following awards / recognition during the financial year 2008-09:

- "ISO 14000" Certification by Bureau of India Standard (BIS).
- "ISO 9001:2000" Quality Management System Certification by DNV for Balasore Alloys Limited's mines division.
- "First Position in CII Eastern Region Productivity Award Category A" for Sustained Level of High Productivity by Confederation of Indian Industry, Kolkata.
- "Bharat Gaurav Puraskar" - International Business Excellence Award by Institute of Economic Studies, Thailand.
- "Commendation for strong Commitment to Excel on the Journey towards Business Excellence" by Confederation of India Industry.
- "Indian Manufacturing Excellence Award in Super Platinum category- 1st Runner-Up" for Enhancing in Manufacturing & Supply Chain Excellence by Frost & Sullivan.
- "Excellence in Consistent TPM Commitment Award" for Most Effective Production System by JIPM (Japan Institute of Plant Maintenance) at Kyoto, Japan.
- "Award for Export Excellence" for Top Exporter (Gold) by EEPC (Engineering Export Promotion Council) India Eastern Region.
- "IT Award" for Initiatives of Industries in Orissa by CII Orissa
- NALCO QC Convention Award for "Best Effectiveness & Result for All Orissa Quality Circle Convention." by NALCO (National Aluminium Company Limited).

CORPORATE DEBT RESTRUCTURING

Your Company approached the lenders for second restructuring of its financial liabilities and in response State Bank of India (SBI), the lead lender of your Company, has approved and implemented the restructuring package under CDR mechanism on 30th June, 2009. The restructuring package, inter-alia, includes:

1) Reduction in interest rate on all Rupee Term Loans

2) Reschedulement of existing loan

The reduction in interest rate on term loan with effect from April, 2009 and its impact on the Company's financial will be reflected during financial year 2009-10.

The above restructuring package has also enabled the Company to improve its cash flow and avoid its account from becoming a NPA.

Your directors are of the view that with the above restructuring coupled with the supportive market conditions, financial performance of the Company shall stage a turn around. The above points also take care of point No. XI of the annexure to the Auditors' Report.

MANAGEMENT INITIATIVES

Various strategic management initiatives that your Company continues to practice such as Six Sigma, Total Productive Maintenance (TPM), Performance Management System (PMS), Total Quality Management (TQM), Activity Based Cost Management (ABCM) and Supply Chain Management (SCM) with a view to continually improve. To augment the process, your Compay has taken up an integrated approach of various Initiatives with focus on Business Excellence.

During the year, your Company has received the prestigious award like "Excellence in Consistent TPM Commitment" by JIPM & "Commendation for strong Commitment to Excel" of CII EXIM BANK Award by Confederation of India Industry.

100% involvement of employees and structure review mechanism put in place at the apex level has made these initiatives contributing towards growth of the organisation.

BOARD OF DIRECTORS

The Board of Directors accepts with deep regret the resignation of Mr R P Panda, Mr D Sengupta and Mr L K Poddar from the Directorship of the Company w.e.f. 23rd July, 2008, 25th July, 2008 and 22nd January, 2009 respectively and place on record, its sincere appreciation for the valuable contribution made by them during their tenure to the Company.

DIRECTORS' REPORT (Contd.)

The Board of Directors of the Company has appointed Mr R N Pandey as an Additional Director with effect from 30th January, 2009 and Mr C R Pradhan as Additional Director designated as Director-Operations with effect from 29th May, 2009. The notices have been received from members under Section 257 of the Companies Act, 1956 proposing their appointment as Directors of the Company. Approval of the members is being sought at the ensuing Annual General Meeting for their appointment as Directors.

Further, the Board of Directors has elevated Mr R K Jena as the Company's Managing Director from the post of Joint Managing Director with effect from 30th January, 2009. His tenure of appointment expired on 31.03.2009. In view of the immense contribution and performance of Mr R K Jena and on the recommendation of the Remuneration Committee, he has been reappointed as Managing Director of the Company for a further period of three years w.e.f. 01.04.2009 to hold the office till 31.03.2012. Further, reappointment and remuneration payable to Mr R K Jena is already approved by the shareholders by mean of postal ballot as on 28th May, 2009.

In accordance with the provisions of the Companies Act, 1956 and Article 149 of the Articles of Association of the Company, Mr M Trivedi and Mr S Mohapatra, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

SUBSIDIARY COMPANY

During the year under review, the Company had acquired shares of Milton Holdings Limited (MHL), a Company incorporated in Mauritius, resulting in MHL becoming a Wholly-owned Subsidiary of the Company. MHL, the wholly-owned subsidiary, shall be implementing, through joint-venture, the proposed Manganese-ore mining projects in Brazil. As at the date of Balance Sheet, the Company had acquired shares of MHL aggregating, in value, to USD 4.36 million (Equivalent to Rs.1994.25 lacs).

The Directors' Report of MHL, the wholly-owned subsidiary, and their audited Statement of Accounts alongwith Auditors' Report thereon for the year ended 3lst March, 2009 form part of this Report. Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies as at 31st March, 2009 is also annexed to this Report.

CONSOLIDATED FINANCIAL STATEMENT

The Consolidated Financial Statements of the Company and its subsidiary, prepared and presented in accordance with Accounting Standard (AS) 21, are attached to and form part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

(i) In the preparation of the annual accounts for the financial year ended 31st March, 2009, the applicable accounting standards have been followed and there have been no material departures;

(ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for that year;

(iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

(iv) The Directors have prepared the annual accounts for the financial year ended 31st March, 2009 on a going concern basis.

The above statement has been taken note of by the Audit Committee at its meeting held on 24th July, 2009.

AUDITORS

The Company's Auditors M/s S R Batliboi & Co, Chartered Accountants, retires at the conclusion of the ensuing Annual General Meeting and have expressed their willingness to be reappointment.

The Company has obtained a letter from the Auditors to the effect that reappointment, if made, will be in conformity with the limits specified in section 224(1B) of the Companies Act, 1956.

AUDITORS' REPORT

In relation to the matters dealt with by the Auditors in their Audit Report, we have to state that:

(a) As regards advances of Rs.735.00 lacs, the management is following up the matter and expects to recover/adjust such advances in the near future,

(b) As regards recognition of MAT credit entitlement of Rs.795.92 lacs, the Company has made profits during the year under review and in view of this and also based on the future profitability projections, the Company is certain that there would be sufficient taxable income in future in order to claim the MAT Credit Entitlement.

DIRECTORS' REPORT (Contd.)

(c) Remuneration paid to the whole time director has been approved by the shareholders of the Company. The Company has made an application to the Central Government for necessary approval and the same is expected soon.

(d) Your Company has been regular in making payment of its statutory dues except as pointed out by the Auditors against Point no IX (b) & (c) referred to in the Annexure to the Auditors' Report. Out of the payment of undisputed liability of Rs.71.05 lacs, a sum of Rs.26.67 lacs has since been paid and balance will be paid / adjusted on completion of assessment and payment of disputed liability was not made as these were lying under appeal in different forum.

(e) Repayment of long term loans have largely been made out of earnings before depreciation. Further, owing to certain immediate long term requirements, the Company had to utilize the short term funds for the said purpose. However the Company is in process of rectifying the situation at the earliest.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the listing agreement with Stock Exchanges, the Management Discussion and Analysis and Corporate Governance Report together with the Certificate from the Auditors of the Company confirming compliance of the conditions of Corporate Governance form a part of the Annual Report.

CODE OF CONDUCT

The Code of Conduct for the Directors and Senior Management Executives has been made applicable to all the Directors whether executive or non-executive including all Senior Management Executives of the Company. The Board members and Senior Management Executives of the Company have affirmed compliance with the Code of Conduct during the year and no violation of the same was reported. The Code of Conduct is also posted on the Company's web-site.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The statement of particulars pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed hereto and forms part of the report.

PERSONNEL

During the period under review, your Company continued to maintain relationship of mutual trust and transparency with its employees and a highly productive work environment prevailed without loss of a single man due to IR related issues. The second half of the year was very difficult for all companies across the globe and majority of the companies reduced their scale of operations with corresponding stringent measures like lay off, retrenchment, etc. Management and employees of your Company worked hand in hand during this crisis and came out with flying colours and re-established the robustness of people management practices.

Training and Development of employees is a key focus area which helps in constant upgradation of skill and knowledge required for present job and future need. Human capital in your Company is nurtured as the most valuable resource and a conducive work environment is promoted through Role Clarity, Empowerment, Team Work and performance driven culture of the highest level remains a focus area for the management which motivates the people and helps in faster decision making. The individual and organisational goals are totally synchronised and the young and energetic team of your Company is marching ahead in its quest for excellence.

The Board records its appreciation for the support of employees at all levels and looking forward to their total involvement in the growth process of the Company.

Information in terms of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is annexed to this Report.

ACKNOWLEDGEMENT

Your Directors express their sincere appreciation for the continued co-operation and support extended to the Company by the Central Government, the Government of Orissa, Government Agencies, Company's Bankers, Business Associates, Shareholders and Community at large. Your Directors also express their warm appreciation to all employees for their diligence and contribution.

For and on behalf of the Board

Kolkata
24th July, 2009

R K Jena
Managing Director

M Trivedi
Director

ANNEXURE TO THE DIRECTORS' REPORT

PARTICULARS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

a) Energy conservation measures taken:

i. Installation of Turbo Ventilators at Mechanical Workshop.

ii. Louvers at various floors for cross ventilation and natural day light to reduce Energy Consumption.

iii. Separate PLC installed for Furnace- 5 and new software developed for better process control.

iv. Relining of Furnace- 5

v. Installation of bigger capacity 25 / 10 MT crane for better post tapping process.

vi. Reduction in Capacity of Motor of Furnace- 1 & 2 raw-material conveyor 4 from 30HP to 20HP.

vii. Cooling Tower Controller fixed in Furnace- 1 & 2 cooling Towers for energy saving.

viii. P.I.D. Temperature Controller fitted in all Muffle Furnaces in the plant for better control and energy saving.

b) Additional investments and proposals, if any, being implemented for Energy conservation

Investment of Capital nature are included in Fixed Assets and Revenue nature are charged to expenses.

c) Impact of measures at (a) & (b) above for reduction of energy consumption & consequent impact on the cost of production

The above measures have reduced the power consumption and cost of direct and auxiliary power.

d) Total energy consumption and energy consumption per unit of production.

The required data with regard to conservation of Energy as applicable to our Industry is furnished below :

	For the year ended 31.03.2009 (12 months)	For the period ended 31.03.2008 (15 months)
i Power & Fuel Consumption		
1) Electricity		
a) Purchased Units (in '000')	**343115**	431067
Total Amount (Rs. in lacs)	**10002**	12422
Rate/Unit (Rs)	**2.92**	2.88
b) Own Generation through		
Diesel Generator Units (in '000')	**Nil**	Nil
Unit per ltr of LDO/Furnace oil	**Nil**	Nil
Cost/Unit(Rs)	**Nil**	Nil
2) Coal (Low Ash Coal used in process)		
Quantity (MT)	**37445**	30217
Total cost (Rs. in Lacs)	**7397**	2561
Average Rate (Rs./MT)	**19754**	8476
3) Furnace Oil / LDO		
Quantity (Ltr. in '000')	**Nil**	Nil
Total Amount (Rs. in lacs)	**Nil**	Nil
Average Rate (Rs./ Ltr)	**Nil**	Nil
Consumption per MT of production		
Electricity (Unit)	**3862**	3834
Coal (MT)	**0.42**	0.27

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

B. TECHNOLOGY ABSORPTION

1) Research & Development (R & D)

a) Specific areas in which R & D was carried out by the Company

i) Indigenous development of mechanized jigging process for processing of powder which was being processed manually earlier.

ii) Development of new products like low Si, low P & low S Fe-Cr.

iii) Development & usage of fuggy logic for dryer operation control resulting in huge saving in fuel consumption.

iv) Customized design and development of several critical equipments & spares like ID fan for dryer, chute blowers for furnace etc.

v) Usage of jig slag powder for casting of metal and slag casting replacing river sand

vi) Development & usage of new flux for Fe-Cr production

b) Benefit derived as a result of the above R & D

The R & D efforts helped in reduction of cost of production, improvement in production process and metal recovery.

c) Future plans of action

Feasibility of Production of Value Added Products

d) Expenditure on R & D

i) Capital	Expenses incurred are charged to respective heads and not allocated separately.
ii) Recurring	
iii) Total	
iv) Total R & D Expenditure (% of total turnover) :	Not determinable.

2) Technology Absorption, Adaptation & Innovation

a) Efforts, in brief, made towards technology absorption, adaptation and innovation.

i) Indigenous development of dust control system to minimize pollution level in the material handling systems.

ii) Modification of tapping and casting system to bring down cost, improve working condition and quality of product.

iii) Hard facing of secondary crusher liner to enhance the life period many times.

iv) Indigenous design and Modification of Casing body to avail better electrode efficiency and cost saving.

v) Indigenous design and implementation of On-line Fines processing of Chrome Ore agglomerations, thereby reducing the cost of the briquette and saving process time.

b) Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.

The above efforts helped in cost reduction and import substitution.

c) Future plans of action

i) Development of captive Quartz, Manganese and Chrome Mines.

d) Particulars of technology imported during the last five years

Not applicable

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to Exports, Initiatives taken to increase Exports, Development of new export markets for products and Export Plan.

i) Activities relating to Exports

The Company exported 68726 MT valued at Rs 49474.53 lacs during the financial year ended 31st March, 2009. Long term assured volume contracts with customers have been developed. Special emphasis has been given on timely shipment and strict adherence to all quality and product norms of foreign buyers.

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

ii) Initiatives taken to increase exports

a) **Value addition to customers** - Supply in 1mt double layer HDPE bags to minimise onward transit losses and to facilitate easy handling and movement with minimum costs.

b) **More focus on CNF contract**: Identification of low cost means of shipping lines with minimum transit time and offer free holding of stock at discharge ports without any additional costs to the customer.

c) **Easy payment terms**: To minimise the financial costs of the customer, accepting payment terms convenient to the customers.

d) **Staggered delivery terms**: To minimise the inventory costs of the customer, facilitating staggered deliveries as per requirements of the customers.

e) **Assurance of quality**: To provide required comfort to customers, accepting the quality verification at discharge ports by any third party agency.

f) **Pre-shipment service**: Continuously informing the status of the order to the customer from acceptance of the order till execution.

g) **Post shipment service**: A Technical team has been developed to provide full technical support to the customer while usage of our product in their production process.

h) **Regular Customer Visits**: Inviting customers to visit our plant and mines on order to make a bonding with the customers and for repeat purchase.

i) **Increase customer Base**: Visiting various untapped countries with the help of channel partners to expand our market reach and increase customer base.

j) **New Website development**: In order to mark our presence in international market we are upgrading our website matching international standards.

iii) Development of new export markets for products: To promote our product in different parts of the world, new customers are identified by participating in seminars and also agents are appointed in different regions/areas.

2. Total Foreign Exchange used and earned

	(Rs. in Lacs)
– Foreign Exchange Earnings (on Accrual Basis)	
FOB Value of Exports	47935.49
– Foreign Exchange Outgo	
1. CIF Value of Imports	
– Raw Materials	7779.88
– Stores & Spares	346.23
2. Other Expenditure	1257.90

Statement pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report

Name	Age	Designation/ Nature of Duties	Gross Remuneration	Net Remuneration	Qualification	Experience (Years)	Date of Commencement of Employment	Last Employment
Jena, R K	42	Managing Director	1,79,46,060	1,15,90,296	AMIE-Mech & MBA	19	30.04.1990	—

Notes :
1. Gross remuneration comprises salary, allowances, medical reimbursment, production incentive, leave travel assistance, contribution to provident fund, monetary value of other perquisites, etc.
2. Net Remuneration is after Income Tax, Professional Tax, Employee's own contribution to Provident Fund and recreation club membership.
3. The nature of employment is contractual. The employee is not a relative of any Director of the Company.

For and on behalf of the Board

Kolkata
24th July, 2009

R K Jena
Managing Director

M Trivedi
Director

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

Your Company is engaged in the production of High Carbon Ferro Chrome which is backed by captive Chrome Mines. Basically, Ferro Chrome (FeCr) is used in metallurgical operations (especially Stainless Steel) as a raw material. The FeCr acts as an alloy which when added in the steel production, gives it corrosion resistant properties. Globally FeCr production is centred near regions with high chrome deposits. It is produced through a highly energy intensive electric arc furnace (EAF) process. Consumption and production of Ferro Chrome has been growing for the last few years primarily due to increased usage of Stainless Steel. Globally, major direct consumers of FeCr are Stainless and Alloy Steel manufacturers and major indirect consumers of FeCr are Real Estate Developers and engineering goods manufacturers. In India, Kitchenware alone consumes around 75% of Ferro Chrome in the form of Stainless Steel. Therefore, demand for FeCr largely follows trends in Stainless Steel and Alloy Steel production.

Global overview:

Until the beginning of the downturn in the global economy, Stainless Steel production had shown large increases. Demand in developing countries such as China and India helped global output increase at an annual average rate of 5.4% for the period 2000 to 2007, with China alone accounting for over 60% of this rise in global Stainless Steel production. Rising demand for Stainless Steel gave rise to increase in demand for FeCr. On the supply side, in early 2008, the production of FeCr was restricted in South Africa, which is the leading supplier of Ferro Chrome, as producers there struggled with lack of availability of electricity. Structural problems in that country's power generation saw producers operate on a limited basis, which in turn limited the supply of FeCr in the international market. Owing to this unique high demand-low supply situation, stainless producers throughout the world panic-bought FeCr in the first half of the FY 2008-09 and consequently the prices of FeCr catapulted to a high of USC 213/LB at its peak, over 130% higher than the average price in 2007.

However, the euphoria was short-lived in the wake of major global economic meltdown which rattled major steel consuming sectors such as Infrastructure, Housing and Capital goods sector. The demand and prices of Stainless Steel crashed to abysmal levels in the second half of the year 2008-09.The world Stainless Steel production in 2008 was about 26.4 million metric tons (MMT) which is 6.8% lower than 2007 figure of 28.3 MMT. Overall Stainless Steel production in Asia declined by 7.47% i.e., 15.4 MMT in calendar year 2008. Asia accounts to around 58% of the world Stainless Steel production out of which China alone accounts to around 26%. Over the past few years China has been the driving force behind the growth in Stainless Steel production. However, in calendar year 2008 China reduced production by 5.1% i.e 6.9 MMT.

During the third quarter of the financial year 2008-09, the impact of Global Recession was severe on the Steel industry resulting in low price realisation coupled with low demand for steel. All the major steel companies trimmed their production and cut costs in their bid for survival. FeCr, whose prospects are largely dependent on Stainless Steel, could not escape the onslaught. FeCr producers around the globe cut back output and delayed planned capacity expansions. Global high carbon Ferro Chrome/Charge Chrome output plunged to new lows in the first quarter of 2009, falling to just 821,000 tonnes in the first three months of the year. Output fell 1.2 million tonnes from the same quarter last year, and fell 420,000 tonnes from the previous quarter. African FeCr output fell to just 171,000 tonnes in the first quarter of 2009, compared to last year's peak production of 971,000 tonnes in the second quarter of 2008. Low price realisation and lack of demand completely crippled the Ferro Chrome industry.

Indian Overview:

India is the fourth largest Ferro Chrome producer in the world. It produces around a million MT of Ferro Chrome. In the downturn scenario of Ferro Chrome Industry, India was also not an exception. As most of the Ferro Chrome importing countries were having overstock situation, the scope for export from India was getting minimal.

Global recession and its affects on India have led to a slump in steel demand from its key end users auto and construction. Indian auto majors have also drastically cut down production. Similarly, with housing prices plummeting, many real estate developers have actively cut back on existing projects as real estate companies were witnessing a steep fall in consumer demand for residential and commercial real estate. As a consequence, the demand for Ferro Chrome largely waned.

OPPORTUNITIES AND THREATS

Opportunity

After the setback, due to unprecedented economic crises and uncertainty, as seen by the Ferro Chrome industry in the year 2008-09, the future appears to be quite promising. Recent stimulus packages by various governments focussing on infrastructure growth have provided much needed fillip to the health of the Ferro Chrome Industry.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Asia is leading the world economy, driven by China's projected GDP growth at 6.5 followed by India's GDP projected growth at 5.0. China is the major driver of Ferro Chrome demand wherefrom 40% of the world consumption is expected and is also responsible for 28% of projected Ferro Chrome import of the world. Currently your Company is exporting about 40% of its total sales quantity to leading Stainless Steel producers in China and expects to continue its long-term relationship with them.

According to a recent study conducted by Credit Suisse, the global Ferro Chrome market could face a severe supply crisis going forward. South Africa, with its intense power crisis, could potentially witness delay of several start-up projects by 2-5 years. The power generation capacity of South Africa has decreased from 42,000 MW in the 1990S to less than 29,000 MW in mid - 2008. The Ferro Chrome production process is heavily reliant on power, where energy represents almost 20% of production cost. There were eight large Ferro Chrome projects identified to come up in South Africa by 2015. These 8 projects could potentially add 1.90 Million MT of new capacity. However, the majority of these announced projects have been delayed because of power crisis.

Credit Suisse estimates that the power crisis in South Africa will not lessen anytime soon, unless the government takes aggressive steps and initiates large cutbacks on the other industries such as aluminium, which consumes 10% of South Africa's electricity output. As per Credit Suisse, Market is expected to remain at deficit for atleast the next three years even assuming Chinese production growth of 5% per annum and capturing all of the near term growth from Kazakhstan.

Threats

The ongoing global economic slowdown has led to a slowdown in customer expenditure. This has affected end use markets for Stainless Steel, which in turn has affected Ferro Chrome consumption. Recovery of Ferro Chrome demand will be dependent on the impact of economic stabilization schemes being currently undertaken by various countries.

Ferro Chrome is a power intensive industry, power tariff and availability of power is one of the major sources of concern for the industry. Indian Ferro Chrome producers face higher power tariffs in comparison to their global peers. Being a power intensive industry, availability of surplus and affordable power is a major challenge for the Industry in India. Electricity duty which varies from state to state also places an additional burden on the Industry.

Further, soaring prices of coke and other inputs is causing strain on the profit margins. Logistical cost in moving large quantities of Ferro Chrome is further adding to the woes.

In the past, the Chinese demand for Ferro Chrome has been one of the key drivers for the Indian Ferro Chrome industry. Any slowdown of Chinese economy, Indian manufacturers may face a risk of slowing Chinese demand for their product.

FUTURE PROSPECTS & COMPANY'S STRATEGIES

The year 2008-09 witnessed the major growth and depression in the Stainless Steel and Ferro Chrome industry where prices of Ferro Chrome reached to its record height ever in the history during first quarter while the second half evidenced sudden fall of prices to levels as low as 2002 prices where industry stocks were high and buying was almost freezed.

The hard-hitting global recession brought down the stock level by the last quarter of 2008-09 due to significant production cuts and drop in supply. South African producers of Ferro Chrome are complaining of increasing cost pressures. Their electricity prices have surged in June 2009, the rand/dollar exchange rate is damaging their revenue, and there is a risk of failed wage negotiations with the trade unions very soon. As such, the supply position shall remain tight in the near future.

On the other hand, there is seen rise in demand for Ferro Chrome. Substantially buying has resumed by major countries like China and India. Europe is also very slowly re-entering the market, and will have to replenish their depleted stocks. Countries like South Korea and Taiwan have also returned back to the market as their Stainless Steel production levels have increased markedly over the course of the second quarter. As the economy slowly begins to improve, more Stainless Steel products will be bought, and stockpiles will be drawn down, increasing the need for more Ferro Chrome.

Your Company has evolved strategy to penetrate into niche market segments of the world to enhance sales realization. Our endeavour is to enter into long-term contracts with bulk OEMs and to reduce our dependency on spot market. This measure shall enable your Company to sustain and improve upon its present level of profitability and further consolidate its pre-eminent position in the Ferro Alloy Industry.

MANAGEMENT OF RISKS AND CONCERNS

The Company recognises that business projections have an inherent element of uncertainty owing to unknown factors like sudden reversal of positive trends. In the event of any negative growth in steel, automotive and infrastructure industries, the prospects of Ferro Chrome industry shall also be adversely affected.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Any economic slowdown can adversely impact the demand-supply dynamics and profitability. Flux in prices will also affect operating margins. Our Company too is vulnerable to these changes.

Foreign exchange rate volatility impacts the Company's business prospects directly through its foreign currency debt portfolio. Export turnover constitutes major part of the total turnover. An appreciating trend in INR may substantially impact the earnings of the Company.

Power contributes almost to 45% of the variable cost of production in your Company, which is being supplied, singularly by power distribution company of the state. Supply of quality as well as consistent power by the said company remains a concern area where monopoly in future can be envisaged. Recently your Company witnessed the worst power shortage during the first quarter of the Financial Year 2009 -10 due to insufficient rain as hydro power is the major source of power. The load was restricted to 50% of the actual requirement of the Company by the State Government of Orissa. However, the issue has been taken up with concerned authority to arrange adequate and quality power supply.

Considering the above points, your Company presumed that managing risks is a paramount need for ensuring present and future growth plan and risk management is an integrated and process-oriented approach for managing its business risks and opportunities. Accordingly, the Company has clearly identified and segregated its risks into separate components, i.e., operational, financial, strategic and growth execution. All the identified risks are inter-linked with the Annual Business Plans of the Company, so as to facilitate Company wide reviews.

A Risk Management Committee of Board of Directors, comprising of Board Members, has been constituted to review periodically updates on identified risks, implementation of mitigation plans and adequacy thereof, identification of new risk areas etc. Identification and assessment of risks and formalization of mitigation plans are undertaken on a regular basis. Identified risks are subject to regular review and the dual process of identification of new risks and planning for mitigation thereof are subject to constant monitoring

OPERATIONAL PERFORMANCE

The Production during the year ended 31st March, 2009 reported at 88,846 MT as against 1,12,446 MT during the previous fifteen month period ended 31.03.2009. In spite of severe Global Recession, your Company could maintain normalcy in level of productivity due to some effective strategic steps like maintaining minimum Finished Goods Inventory, best usage of captive and low cost raw materials with challenging operational methodologies. In order to optimize operational performance your Company has taken various proactive measures and strong initiatives like TPM, Six Sigma, SCM and JIT.

Your Company exported 68726 MT valued at Rs 49474.53 lacs during the 12 months period ended 31st March, 2009 under review as against 81486.10 MT valued at Rs. 40514.75 lacs for 15 months in the previous period. Your Company's thrust for export will continue as our strategy to make our product globally competitive conjugated with maintaining assuring growth in the future.

QUALITY ASSURANCE

The Company continues to have ISO 9001: 2000 and ISO 14000 accreditations from the Bureau of Indian Standards through commitment to quality and technological excellence and Environmental Management System. The Company is committed to maintain the highest quality of its products and stringent quality assurance procedures with continuous efforts to maintain the Environmental system.

ENVIRONMENTAL AND SAFETY MEASURES

Your Company continues to give highest priority to all matters related to environmental protection as well as safety of its employees and neighboring villagers. The Company is certified for ISO-14001 Environmental Management System and all environmental aspects and impacts are managed effectively so that the emission and discharge levels are much below the statutory norms and there is focus on continuous improvement.

Various proactive measures have also been initiated for energy conservation and optimum utilization of natural resources. Through research and development, the entire solid waste is recycled and the end product is now established as a very good supplement for Stone Chips. The entire generation from current operation is sold in the local areas and the demand is so high that some of the stock which had accumulated over the years is gradually getting cleared. The plant is working on Zero effluent discharge model and only 2% waste water is generated which is used for harvesting and fishery in beautiful farm developed by the Company. A Nursery has been developed to promote plantation in the factory as well as local areas and model farming practices are also demonstrated to the villagers through practical exposure. Massive plantation drive has been taken up in and around the factory premises and about 30% of the total area is covered under greenery.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Safety of employees, visitors and local people is also accorded high priority and all Unsafe Conditions and Unsafe Practices are systematically eliminated. Periodic Safety Audit and Safety Patrol is conducted and an empowered Safety Committee reviews all matters related to Safety on a monthly basis. Detailed Hazard Analysis and identification of Near Miss Situations are innovative practices which have ensured that a Safe Work Environment is maintained in the Company's premises. A 24 Hour Ambulance and Fire Tender Service is maintained by your Company to meet any emergency in the factory or in the neighbouring areas.

Your Company has ensured compliance to all statutory provisions and norms related to environment and safety and set benchmarks for others to follow.

CORPORATE SOCIAL RESPONSIBILITY

Your Company firmly believes that sustainable development and inclusive growth has to be promoted in the periphery and it discharges its social responsibilities in a proactive manner with the involvement of its team of dedicated professionals. Various activities are undertaken after assessment of need through surveys and effective implementation is done with the involvement of employees, voluntary organizations and local representatives.

Some of the initiatives taken by your Company in the CSR arena pertain to:

1. Infrastructure Development in local Schools and Colleges, Hospitals and other institutions.
2. Road development, Avenue plantation and Street Lighting
3. Employment generation and Knowledge and Skill up-gradation.
4. Improvement of Health Care facilities, Health awareness, Eye / De-worming / Blood donation / Inoculation Camps.
5. Improvement of quality of education by sponsoring teachers, improving basic amenities, promoting computer education, scholarship schemes, etc.
6. Promoting Sports and cultural activities and local talent

In each of the above areas a well thought out strategy has been developed to ensure that the benefits reach the needy people without any disparity or dissatisfaction. The mass issues are given predominance but individual cases are also taken up depending on the genuineness and urgency.

Your Company has played an active role in alleviating the suffering of local people who were badly affected by two major floods which hit the District during the year under review. Apart from own resources, your Company could organize significant quantity of relief material from associates and co-members of various industry bodies which were promptly channelised to the flood victims. A team of over 60 employees were actively involved in the disaster management activities.

The empathetic approach of your Company has endeared it to the local population and has been highly acclaimed by District Administration as well as State Government through several awards and citations.

INTERNAL CONTROL SYSTEMS

The Company recognise the need for better internal control systems and with a view to meet the strategic need of the organisation, the Company has put in place an integrated internal control system commensurate with its size and nature of business. The management has also implemented an integrated computerised management information system encompassing all functional areas. The job processes and internal controls are so designed to ensure proper checks and balances for elimination of errors and faults. Better Management Information System alongwith a strong Internal Audit Function not only ensures adherence with best practices and procedures but also help in early diagnosis of potential areas of concern.

Your Company have a full fledged internal audit function headed by a firm of independent Chartered Accountants to monitor adherence to all internal policies and procedures as well as compliance with all external regulatory guidelines. Independence of the audit and compliance function is ensured by a direct line of reporting to the Audit Committee comprising of all Independent Directors as members to maintain the objectivity. Periodic reviews are undertaken through internal and external audit teams to monitor efficacy of the prevalent systems.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Financial Performance with respect to Operational Performance

(Rs. in Lacs)

			Financial year ended 31st March, 2009		15 months period ended 31st March, 2008
1.	Sales/Income from operations		**65689.46**		55039.57
	Less: Excise Duty		**1816.03**		1953.95
			63873.43		53085.62
2.	Other Income		**1123.62**		1186.51
3.	Total Income (1+2)		**64997.05**		54272.13
4.	Total Expenditure		**58283.89**		44094.23
5.	Profit before Interest & Finance charges and Depreciation (3-4)		**6713.16**		10177.90
6.	Interest & Finance Charges		**4457.79**		3162.58
7.	Depreciation		**1185.39**		1836.74
8.	Profit before Prior Period Items & Taxes (5-6-7)		**1069.98**		5178.58
9.	Prior Period Items (Net)		**361.83**		61.75
10.	Profit before Taxes (8-9)		**708.15**		5116.83
11.	Provision for Taxes				
	– Current Tax	**99.97**		(35.07)	
	– Deferred Tax Charge	**514.59**	**614.56**	1822.79	1787.72
12.	Profit after Taxes (10-11)		**93.59**		3329.11
	Add: Balance brought forward from previous year	**9485.71**		6299.59	
	Less: Adjustment towards additional Employee benefit (Liability)	**—**	**9485.71**	142.99	6156.60
	Amount carried to next year		**9579.30**		9485.71

HUMAN RESOURCES OF THE COMPANY

Your Company has established systems and practices which are instrumental for realizing the full potential of human capital, the prime moving force for achieving overall excellence. The highly skilled and motivated workforce is constantly striving to challenge new horizons and the Company is reaching new heights. The HR Philosophy in your Company is to foster performance, transparency, fairness and empowerment at all levels. The human resource Policy of the Company is geared to attract, develop, train, motivate and retain the best talent. Top priority is given to promote team work as well as knowledge and experience sharing so that a motivated workforce continuously strives to achieve the vision and mission of the Company.

The Company promotes fairness in all matters related to employees and it has accorded recognition to the majority union as the sole bargaining agent on behalf of workmen. A congenial atmosphere is all pervasive in the organisation and there is transparency and mutual trust between the workers and management. Your Company has given utmost importance to implement best people practices and to foster a culture of learning, belongingness and care in the organization.

Your Company has implemented a computerised Performance Management System based on Balanced Score Card methodology to ensure proper target setting and monitoring of individual performance. This is complemented by a well established Reward and Recognition mechanism and variable pay structure which augment the performance driven culture in the organization.

The Skill as well as Competency of employees is periodically monitored and a structured training and development programme is in place to cater to individual development needs which are in line with organization goals. The Company's training philosophy is directed towards developing a learning organization and promoting managerial competencies as well as enhancing technical expertise. This has helped in developing the human resource into a potent force geared up to face all challenges.

The total manpower strength of the organisation as on 31st March, 2009 was 620.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

INITIATIVES TOWARDS OPERATIONAL EXCELLENCE

The Company has undertaken various strategic management initiatives with a view to exploit favourable market condition & continually improve. The enthusiasm demonstrated by these initiatives being championed by various head of functions and the results of these efforts have enabled these initiatives to gather momentum.

100% involvement of employees and structure review mechanism put in place at the apex level has made these initiatives contributing towards growth of the organisation.

- **SIX SIGMA**

  This initiative has significantly contributed for transforming Business at Balasore Alloys Ltd. and enables to break various myths & shackles of conventional thinking. With robust process and demonstrated results Six Sigma Initiatives has led to break through improvements and enhanced bottom line by redesigning business process and standard operating practices.

- **TOTAL PRODUCTIVE MAINTENANCE (TPM)**

  The TPM Program was initiated to create a preventive philosophy, total employees participation and building a profitable culture. Starting with the basic concept of eight pillars (Autonomous Maintenance, Kobetsu Kaizen, Planned Maintenance, Education & Training, Safety, Health & Environment, Office TPM, Initial Flow Control & Quality Maintenance) for internal improvements. To increase the coverage of TPM culture across the organisation, two more pillars i.e Sales & Marketing and Supply Chain Management initiated to strengthen the Supplier and Customer Relationship.

- **SUPPLY CHAIN MANAGEMENT**

  This initiative is expected to generate significant benefit to the Company by way of value enhancement through reduced cost and risk of inputs, reduced logistic cost, optimize product mix and input feed mix through stream line process and scientific inventory management.

- **PERFORMANCE MANAGEMENT SYSTEM (PMS)**

  First level exercise for this strategic initiative, aimed at optimizing performance of the employees and bringing sharper accountability, has been completed by one of the renowned consultant. This initiative is expected to focus at redefining roles and responsibilities for key positions, realigning the organisation structure for impacting functions towards highly performance oriented outfit and removes structural anomalies for smooth control. Lesser hierarchy and grater performance brings transparency and accountability across the organisation for attaining common organisation mission, vision and goals.

- **QUALITY AUDIT**

  The Company has engaged one of the renowned quality firm towards quality compliance of its product for both domestic as well as international market. This has ensured specified quality products for the customers.

- **TOTAL QUALITY MANAGEMENT**

  Your Company has initiated definite action plan to implement Total Quality Management in its domain to achieve overall quality superiority in the market. With focus on customer satisfaction, optimized inventory and high plant efficiency for productivity, the initiatives are poised to poise to improve the overall profile of your Company.

CAUTIONARY STATEMENT

Statements in this Management discussion and Analysis report detailing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, raw material prices, finished goods prices, cyclical demand and pricing in the Company's products and their principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries with which the Company conducts business and other factors such as litigation and / or labour negotiations.

REPORT ON CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE

Sound Corporate Governance practices are guided by culture, conscience and mindset of an organization and are based on principles of openness, fairness, professionalism, transparency and accountability with an aim to building confidence of its various stakeholders and paving way for its long-term success. In Balasore Alloys Limited, Corporate Governance is defined as a systematic process by which companies are directed and controlled keeping in mind the long-term interests of all their stakeholders. Achievement of excellence in good Corporate Governance practices requires continuous efforts and focus on its resources, strengths and strategies towards ensuring fairness and transparency in all its dealings with its stakeholders including society at large. Corporate Governance has indeed assumed greater significance as the world has moved towards closer integration and free trade.

COMPANY'S PHILOSOPHY ON GOVERNANCE:

Your Company's philosophy on the Corporate Governance is founded upon a rich legacy of fair and transparent governance practices which are essentially aimed at ensuring transparency in all dealings and hence seeks to focus on enhancement of long-term shareholder value without compromising on integrity, social obligations and regulatory compliances. Your Company has continued its pursuit of achieving these objectives through the adoption and monitoring of Corporate strategies and prudent business plans, thereby ensuring that the Company pursues policies and procedures to satisfy its legal and ethical responsibilities. The Company's comprehensive written code of conduct serves as a guide for your company and its employees on the standards of values, ethics and business principles, which should govern their conduct. Your company operates within accepted standards of propriety, fair play and justice and aims at creating a culture of openness in relationships between itself and its stakeholders. Even in a fiercely competitive business environment that the Company is operating in, the management and employees of your Company are committed to uphold the core values of transparency, integrity, honesty and accountability, which are fundamental to the Company and for achieving Corporate Excellence.

CORPORATE GOVERNANCE PRACTICES:

The Company's Corporate Governance practices seek to go beyond the regulatory requirements and with a view to ensuring commitment to transparent, law abiding behaviour and good Corporate Governance, the Company has put in place the following practices:-

a) **Code of Conduct:** The Company's Code of Conduct is based on the principle that business should be conducted in a professional manner with honesty, integrity and law abiding behaviour and thereby enhancing the reputation of the Company. The Code ensures lawful and ethical conduct in all affairs and dealings of the Company.

b) **Business Policies:** The Business Policies of Company ensures transparency and accountability to its stakeholders. The policies provide motivation and support for professional development of employees, fair market practices and high level of integrity in financial reporting. The policies recognize Corporate Social Responsibility of the Company and also seek to promote health, safety and quality of environment.

c) **Prohibition of Insider Trading:** The Code on prevention of Insider Trading, which applies to the Board Members and all officers and employees, seeks to prohibit trading in the securities of the Company based on unpublished price sensitive information. Trading window remains closed so long unpublished price sensitive information is not made public.

d) **Risk Management:** The Company has developed and implemented a comprehensive risk management policy for risk identification, assessment and minimization procedure. The risk management procedures are clearly defined and periodically reviewed by the Board of Directors with a view to strengthening the risk management framework and to continuously review and reassess the risk that the Company may confront with.

e) **Safety, Health and Environment Policy:** The Company is committed to conducting its business in a manner that values the environment and helps to ensure the safety and health of all its employees and society at large. The policy is aimed towards strengthening pollution prevention and control measures.

f) **Equal Employment Opportunity:** The employment policy of the Company assure that there shall be no discrimination or harassment against an employee or applicant on the grounds of race, colour, religion, sex, age, marital status, disability, national origin or any other factor made unlawful by applicable laws and regulations. The policy also ensures fair and respectful treatment of all fellow employees.

REPORT ON CORPORATE GOVERNANCE (Contd.)

2. Board of Directors

The Company has optimum composition of Executive and Non-Executive Directors in conformity with Clause 49 of the Listing Agreement with the Stock Exchanges. The Board as on the date of this report consists of 11 directors out of which 7 directors are Independent Directors. The composition and category of the directors on the Board are as follows:

Category	Name of the Director
Promoter Director	Mr Pramod Mittal, Chairman Mr V K Mittal
Executive Director	Mr R K Jena, Managing Director^ Mr C R Pradhan^^
Non-Executive Independent Director	Mr M Trivedi Mr S Mohapatra Mr S K Pal Dr A K Bhattacharyya Prof S K Majumdar Mr K P Khandelwal Mr R N Pandey*

^ Elevated as Managing Director w.e.f. 30.01.2009.

^^ Appointed as Director - Operations w.e.f. 29.05.2009.

* Appointed as Additional Director w.e.f. 30.01.2009.

Four Board meetings were held during the period 01.04.2008 to 31.03.2009. The Company has held at least one Board Meeting in every three months and the gap between such two meetings was not more than four months. The dates on which the Board meetings were held are as follows:

30.04.2008, 30.07.2008, 31.10.2008 and 30.01.2009.

Attendance at aforesaid Board Meetings, at the last Annual General Meeting and the number of Directorships and Committee Chairmanship/Memberships in other Companies of each of the Directors as on the date of this report are below:-

Director	Board Meeting Attended	Attended last AGM held on 25.09.2008 at Registered Office	No. of Directorship in other Companies @		No. of Membership in Committees of Directors in other Companies.	
			Chairman	Director	Chairman	Member
Mr Pramod Mittal (Chairman)	Nil	No	2	Nil	Nil	Nil
Mr V K Mittal	Nil	No	1	2	Nil	Nil
Mr M Trivedi	4	Yes	Nil	1	3	Nil
Mr R P Panda *	Nil	N.A.	N.A.	N.A.	N.A.	N.A.
Mr S Mohapatra	3	Yes	Nil	2	Nil	Nil
Mr S K Pal	4	No	Nil	2	Nil	4
Mr L K Poddar **	3	No	N.A.	N.A.	N.A.	N.A.
Dr A K Bhattacharyya	2	No	Nil	2	Nil	1
Mr R K Jena *** (Managing Director)	4	Yes	Nil	1	Nil	1

REPORT ON CORPORATE GOVERNANCE (Contd.)

Director	Board Meeting Attended	Attended last AGM held on 25.09.2008 at Registered Office	No. of Directorship in other Companies @		No. of Membership in Committees of Directors in other Companies.	
			Chairman	Director	Chairman	Member
Prof S K Majumdar	4	No	Nil	Nil	Nil	Nil
Mr D Sengupta #	1	N.A.	N.A.	N.A.	N.A.	N.A.
Mr K P Khandelwal $	3	No	Nil	2	Nil	1
Mr R N Pandey^	1	N.A.	NIL	1	Nil	3
Mr C R Pradhan^^	N.A.	N.A.	NIL	NIL	NIL	NIL

* Ceased to be a Director w.e.f. 23.07.2008.

** Ceased to be a Managing Director w.e.f. 22.01.2009.

*** Elevated as Managing Director w.e.f. 30.01.2009 and reappointed w.e.f. 01.04.2009.

Ceased to be a director w.e.f. 25.07.2008

$ Appointed w.e.f. 30.04.2008.

^ Appointed w.e.f. 30.01.2009.

^^ Appointed as Director - Operations w.e.f. 29.05.2009.

@ Excludes Directorship held in Indian Private Limited Companies, Foreign Companies, Companies under Section 25 of the Companies Act, 1956.

Board Procedure

The Board ensures that the Company's reporting and disclosure practices meet the highest standards of Corporate Governance and that the business practices followed by the Company are oriented towards meeting obligations towards various stakeholders and enhancing shareholders value.

The Agenda of the meeting is circulated well in advance to the Board members backed by comprehensive background information to enable them to take appropriate decisions. In addition to the information required under Annexure I A to Clause 49 of the Listing Agreement, the Board is also kept informed of major events/items and approvals taken wherever necessary. The Managing Director at the Board Meetings keep the Board apprised of the overall performance of the Company.

3. Audit Committee

The Company has a qualified and independent Audit Committee. The terms of reference, role and scope of Audit Committee are in accordance with Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956. The Committee acts as a link between the management, the statutory and internal auditors and Board of Directors and oversee the financial reporting process. All the members of the Committee are independent Directors.

As at 31st March, 2009 the Committee consists of seven Directors, who bring with them vast experience in the field of operations, finance and accounts and the Company has immensely benefited from the deliberations of the Audit Committee. Besides the Committee members, functional heads and Auditors of the Company attend the meeting of the Committee on the invitation of the Committee.

The Chairman of the Audit Committee is an Independent Director and the Company Secretary acts as the Secretary to the Committee. The Chairman of the Audit Committee attended the previous AGM of the Company held on 25th September, 2008.

Four Meetings of Audit Committee were held during the period 01.04.2008 to 31.03.2009. The dates on which the meetings of the Audit Committee were held are:

30.04.2008, 30.07.2008, 31.10.2008 and 30.01.2009.

REPORT ON CORPORATE GOVERNANCE (Contd.)

The composition of the Audit Committee and the meeting attended by the members are as under:

Name of Director	No. of Meetings attended during the period
Mr M Trivedi (Chairman of the Committee)	4
Mr R P Panda (Ceased w.e.f. 23.07.2008)	Nil
Mr S Mohapatra	3
Mr S K Pal	4
Dr A K Bhattacharyya	2
Prof S K Majumdar	4
Mr D Sengupta (Ceased w.e.f. 25.07.2008)	1
Mr K P Khandelwal	3
Mr R N Pandey (Appointed w.e.f. 30.01.2009)	N.A.

4. Remuneration Committee

The Committee was assigned with the responsibility to consider the policy and the matters relating to the remuneration payable to its Managing Director/Whole-time Directors based on the performance and defined assessment criteria.

As at 31st March, 2009 the Committee in line with the requirements of Clause 49 of the Listing Agreement and Schedule XIII of the Companies Act, 1956, comprised of four members, of which three are Independent Non-Executive Directors. Mr M Trivedi, an Independent Non-Executive Director, is the Chairman of the Committee.

During the financial year ended 31st March, 2009, two meetings of the Committee were held on 31.10.2008 and 30.01.2009. Attendance at the meetings are as under:

Name of Director	No. of Meetings Attended
Mr M Trivedi (Chairman of the Committee)	2
Dr A K Bhattacharyya	1
Mr L K Poddar (Ceased w.e.f. 22.01.2009)	1
Mr S K Pal	2
Prof S K Majumdar	2

5. Remuneration to Directors

(a) Remuneration to Non-Executive Directors: The Non-executive Directors of the company are paid remuneration by way of sitting fees only for attending the meetings of the Board of Directors and its Committees. The Company paid Rs.10000/- for attending meeting of Board of Directors, Audit Committee and Rs. 5000/- for attending other Committee meetings i.e. Remuneration Committee, Share Transfer and Investor Grievance Committee, Risk Management Committee and Project Committee besides reimbursement of expenses. The Non-executive Directors of the Company were not paid any other remuneration or commission.

Relationship of Non-Executive Directors with the Company and interse: There is no pecuniary relationship or transactions of the Non-Executive Directors visa-vis the Company and interse themselves except for the setting fees paid to them for attending the Board and Committee meetings.

REPORT ON CORPORATE GOVERNANCE (Contd.)

(b) Remuneration to Executive Directors:

Remuneration policy/criteria of payment to Executive Directors: The Company has a credible and transparent policy in determining and accounting for the remuneration of the Managing Director/Whole Time Directors (MD/WTDs). Their remuneration is governed by the external competitive environment, track record, potential, individual performance and performance of the company as well as industry standards. The remuneration determined for MD/WTDs is subjected to the approval of the Board of Directors and the Members.

As a policy, the Executive Directors are neither paid sitting fee nor any commission.

Details of remuneration paid to one Whole-time Director for the period ended 31st March, 2009:

Director	Salary & Perks	Commission	Total	Service Contract (Years)	Period
Mr R K Jena * (Managing Director)	Rs.179.46 Lacs	NIL	Rs.179.46 Lacs	3	(01.04.2006 to 31.03.2009)

* Elevated as Managing Director w.e.f. 30.01.2009. Reappointed as Managing Director for a further period of 3 years w.e.f. 01.04.2009 to 31.03.2012.

6. Share Transfer and Investors Grievance Committee

The object of the Committee is to approve transfer of shares, consolidation/sub-division of shares, issue of duplicate shares, redressal of investor grievance/complaints and other allied matters. The Committee meets monthly, while the Registrars and Transfer Agent of the Company, to whom the requisite authority is delegated in this regard, attend the transfer formalities fortnightly.

Mr M Trivedi is the Chairman of the Committee. The Committee has met twelve times during the period 01.04.08 to 31.03.2009.The dates on which the meetings of the Share Transfer and Investors Grievance Committee were held are as follows:

25.04.2008, 12.05.2008, 12.06.2008, 12.07.2008, 12.08.2008, 09.09.2008, 03.10.2008, 12.11.2008, 15.12.2008, 12.01.2009, 14.02.2009, and 13.03.2009.

The composition and the meetings attended by the members are as under:

Name of Director	No. of Meeting Attended during the period
Mr M Trivedi, Chairman of the Committee	12
Mr L K Poddar (Ceased w.e.f. 22.01.2009)	10
Mr R K Jena, Managing Director (Elevated as Managing Director w.e.f. 30.01.2009)	12
Dr S K Majumdar	12
Mr S K Pal	12

Name and Designation of Compliance Officer:

Mr Trilochan Sharma - General Manager & Company Secretary

Name and Contact Person of Registrars and Transfer Agent to the Company:

Mr Aloke Mukherjee - Manager.

Share Transfers/Transmissions etc. as approved by the Committee are notified to the Board at regular intervals. During the year i.e. from 01.04.2008 to 31.03.2009, the status of complaints are as under:

Complaints pending as on 01.04.2008	—	4
Complaints received from Investors	—	98
Complaints replied/resolved	—	102
Complaints pending as at 31.03.2009	—	Nil

REPORT ON CORPORATE GOVERNANCE (Contd.)

During the period under review 1,44,936 Equity Shares were transferred in physical form and no such request was pending as on 31.03.2009. 5,02,426 Equity Shares were dematerialized during the period under the review. As on 31.03.2009. 5,24,19,107 Equity Shares constituting 81.53% of equity shares of the Company were held in dematerialized form.

7. Other Committee

Committee for Preferential Issue of Warrant:

No meeting of the Committee for Preferential Issue of Warrant constituted on 10th December 2007, inter-alia, to consider and approve issue and allotment of Zero Coupon Convertible Warrants to the Promoters of the Company on preferential basis was held during the financial year ended 31.03.2009.

Besides the above, the Company also have a Project Committee to overview implementation of various capital projects including status of progress and critical areas affecting projects implementation schedule and a Risk Management Committee of the Board constituted by the Board at its meeting on 29th May, 2009 assigned with the task, inter-alia, of reviewing the risk management process on continuous basis, considering the alternatives for mitigating the risk and updating the Board about the major risks.

8. General Body Meetings:

1. Details on Annual / Extra Ordinary General Meetings:

Year	Location	Date	Time
2007-2008 (15 Months)	Registered Office	25.09.2008	9.30 A.M.
2005-2006 (15 Months)	Registered Office	30.03.2007	9.30 A.M.
2004-2005 (18 Months)	Registered Office	09.12.2005	10.00 A.M.

2. Whether any special resolution passed in the previous 3 AGMs/EGM: Yes

3. Whether special resolutions:

a) (i) Were put through postal ballot last year : No

(ii) Details of voting pattern : NA

(a) Votes in favour of the Resolution : NA

(b) Votes against the Resolution : NA

(iii) Person who conducted the postal ballot exercise : NA

b) (i) Are any Special Resolution proposed to be conducted through postal ballot this year : No

(ii) Procedure for postal ballot : NA

Postal Ballot

The following Special Resolutions were passed on 28th May, 2009 through Postal Ballot:

Sl No.	Particulars of Resolutions	% of votes cast in favour of the resolution
1	Amendment in Main Object Clause of Memorandum of Association of the Company	99.99
2	Payment of remuneration to the Managing Director for the Financial Year 2008-09	99.92
3	Re-appointment of Managing Director for a further period of three years and payment of remuneration.	99.96

Mr Manoj Kumar Banthia, Practising Company Secretary, was appointed as Scrutinizer for conducting the Postal Ballot voting process.

The Company has complied with the provisions of Section 192A and other applicable sections of the Companies Act, 1956 read with the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001.

REPORT ON CORPORATE GOVERNANCE (Contd.)

9. Code of Conduct

The Code of Conduct (hereinafter referred to as 'Code') is applicable to all its Directors whether executive or non-executive including Nominee Directors and all senior management personnel of the Company. All Board members and senior management personnel had affirmed compliance with the Code during the year and no violation of the same was reported. A declaration to the effect that all Board members and senior management personnel have complied with the Code during the financial year 2008-09, duly signed by Managing Director of the Company is hereinbelow enclosed. The Code has also been posted on the Company's Web-site.

Affirmation of Compliance with the Code of Conduct for Directors and Senior Management Executives

I, R K Jena, Managing Director of Balasore Alloys Limited, hereby declare that the Company has received affirmation of compliance with 'Code of Conduct for Directors and Senior Management Executives' laid down by the Board of Directors, from all the Directors and Senior Management Executives of the Company, to whom the same is applicable, for the financial year ended 31st March, 2009.

R K Jena
Managing Director

24th July, 2009

10. Disclosures

a. The particulars of transactions between the Company and its related parties as required by Accounting Standard (AS)-18 issued by the Institute of Chartered Accountants of India are set out in point 21 of Schedule 22 of the Annual Report.

b. In preparation of financial statement, the Company has followed the applicable Accounting Standards referred to in Section 211(3)(c) of the Companies Act, 1956. The significant accounting policies which are consistently applied are set out in the annexure to the Notes to the Accounts.

c. The Company has formulated and implemented a Risk Management Policy for risk assessment and mitigation procedures which is an ongoing process within the Company. In this connection, Risk Management Committee of the Board was constituted and assigned with the task, inter-alia, of reviewing the risk management process on continuous basis, considering the alternatives for mitigating the risk. These risk management procedures are periodically placed and reviewed by the Board of Directors with a view to strengthen the risk management framework.

d. The Company has not made any fresh capital issue during the period under review. However, 6500000 Zero Coupon Convertible Warrants were issued to the Promoters of the company on preferential basis during the 2007-2008. A sum equivalent to 10% of the price payable in respect of Equity shares arising on conversion of warrants was received by the company.

e. During the last three years, there were no strictures or penalties imposed on the Company either by SEBI or the Stock Exchanges or any other Statutory Authority for non-compliance of any matter related to the capital market.

f. There is no Whistle Blower mechanism in the Company.

g. The Management Discussion and Analysis Report is a part of the Annual Report.

11. ADOPTION OF MANDATORY AND NON-MANDATORY REQUIREMENTS UNDER CLAUSE 49 OF THE LISTING AGREEMENT.

The Company has adopted and complied with all the mandatory requirements under Clause 49 of the Listing Agreement and there is no case of violation or infringement of the same during the period. The Company has adopted non-mandatory requirements under Clause 49 of the Listing Agreement to the extent relating to setting up of Remuneration Committee. Please refer to details provided under the section "Remuneration Committee" of the Report on Corporate Governance. Other non-mandatory requirements, in the opinion of the Board, have no material bearing on the current standards of Corporate Governance followed by the Company and hence will be addressed as appropriate in future.

12. Secretarial Audit

A qualified practicing Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held in electronic mode with NSDL and CDSL.

REPORT ON CORPORATE GOVERNANCE (Contd.)

13. Means of communication.

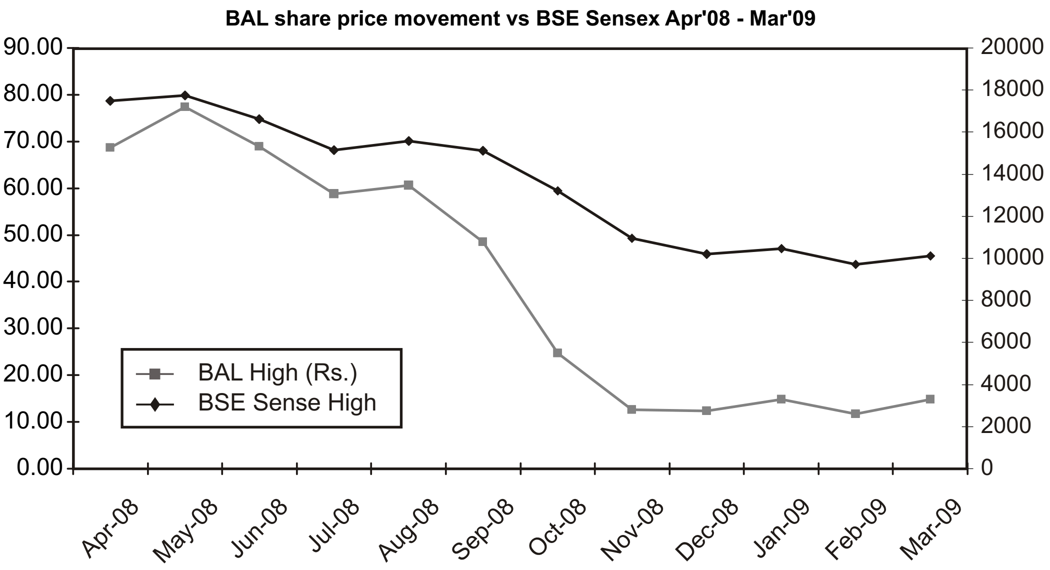
Half-yearly report sent to each household of shareholders	Not required.
Quarterly results. Which newspapers normally published in.	Financial Express / Economic Times (in English) Sanbad / Samaja (Oriya version)
Web sites where quarterly results are displayed.	www.balasorealloys.com
Whether it also displays official news releases.	Yes
Whether Management Discussion & Analysis is a part of Annual Report	Yes

14. GENERAL SHAREHOLDERS' INFORMATION

1	**Annual General Meeting** Day, Date & Time Venue	 Friday, 18th September, 2009 at 9.30 A.M. Registered Office at Balgopalpur– 756 020 Balasore, Orissa, India
	Financial Calendar 2009-10 Financial Reporting for the quarter ending June 30, 2009. **Tentative** Financial Reporting for the quarter ending September 30, 2009 Financial Reporting for the quarter ending December 31, 2009 Financial Reporting for the quarter ending March 31, 2010 Annual General Meeting for the year ending March 31, 2010	 24th July, 2009 Last week of October, 2009 Last week of January, 2010 Last week of April, 2010 September, 2010
3	**Book Closure Date**	From Wednesday, 16th September, 2009 to 18th September, 2009 (both days inclusive).
4	**Dividend Payment Date**	Not Applicable since no dividend proposed/ declared.
5	**Registered Office**	Balgopalpur – 756 020, Balasore , Orissa
6	**Listing on Stock Exchanges**	i) Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 023 ii) The Calcutta Stock Exchange Association Limited 7, Lyons Range, Kolkata -700 001
Note: Annual Listing Fees is regularly paid to the Bombay Stock Exchange and the Calcutta Stock Exchange Association Limited.		
7	**Stock Market information:** **(i) Stock Code:** Bombay Stock Exchange Ltd, The Calcutta Stock Exchange Association Ltd. ISIN No. for Fully Paid-up Equity Shares	 : 513142 : 10019059 : INE135A01024

REPORT ON CORPORATE GOVERNANCE (Contd.)

7	(ii) **Market Price**	Share Price data on BSE		BSE Sensex	
	Months	High (Rs.)	Low (Rs.)	High	Low
	April, 2008	68.65	36.75	17480.74	15297.96
	May, 2008	77.35	57.05	17735.70	16196.02
	June, 2008	68.95	46.85	16632.72	13405.54
	July, 2008	58.80	40.60	15130.09	12514.02
	August, 2008	60.60	44.80	15579.78	14002.43
	September, 2008	48.50	24.35	15107.01	12153.55
	October, 2008	24.75	10.55	13203.86	7697.39
	November, 2008	12.58	6.28	10945.41	8316.39
	December, 2008	12.30	7.50	10188.54	8467.43
	January, 2009	14.86	9.93	10469.72	8631.60
	February, 2009	11.69	10.01	9724.87	8619.22
	March, 2009	14.88	9.28	10127.09	8047.17



8 Share Price Performance in comparison to BSE Sensex.

The BSE Sensex open on 1st April, 2008 at 15,771.72 and on 31st March, 2009, the Sensex closed at 9708.50. The market price of the shares of the Company on the BSE has varied from Rs. 6.28 to Rs. 77.35 during the period under review.

REPORT ON CORPORATE GOVERNANCE (Contd.)

9	**Depository Connectivity**	**National Securities Depository Limited** **Central Depository Services (India) Ltd.**
10	**Registrars & Transfer Agent:** (Share transfer and communication regarding share certificates, Dividends & change of Addresses)	MCS Limited, Unit: Balasore Alloys Limited 77/2A, Hazra Road Kolkata – 700 029 Ph. Nos. +91 33 24541892 - 1893 Fax Nos. +91 33 24541961 E-mail: mcskol@rediffmail.com (Registered with SEBI as Share Transfer Agent – Category I)

11 Share Transfer System:

The physical shares received for transfer are processed and the same is registered in the name of transferee, if case is not of bad delivery or incomplete documents. In order to expedite the process of transfer of Shares, the Company, for effecting transfers, has authorized M/s MCS Limited, Registrar and Share Transfer Agent, who attend to share transfer formalities on fortnight basis. Those who are desirous of holding their shares in the Company in dematerialized form have to approach their respective Depository Participant for dematerialization of their shares.

12 Investor Grievance Redressal System:

The Investor grievances/shareholders complaints are handled by the Company's Registrars and Share Transfer Agent M/s MCS Limited, Kolkata, in consultation with the Secretarial department of the Company. The Registrar has adequate skilled staff with professional qualifications and advanced computer systems for speedy redressal of the investor grievances.

Periodical review meetings are held between the officials of the Registrar and Share Transfer Agent and the Company to discuss the various issues relating to share transfer and other allied matters, dematerialization of shares, Investor complaints, etc.

13 Compliance Certificate of the Auditors:

The Statutory Auditors' certificate that the Company has complied with the conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, is annexed to the Report on Corporate Governance.

14 a) Distribution of Shareholding as at 31st March, 2009.

Category	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Share Capital
1 to 500	140793	97.45	12897024	20.06
501 to 1000	2251	1.56	1613399	2.51
1001 to 2000	704	0.49	1021499	1.60
2001 to 3000	171	0.12	420791	0.65
3001 to 4000	38	0.02	137255	0.21
4001 to 5000	75	0.05	360400	0.56
5001 to 10000	211	0.15	1588180	2.47
10001 and above	237	0.16	46251863	71.94
TOTAL	**144480**	**100.00**	**64290411**	**100.00**

REPORT ON CORPORATE GOVERNANCE (Contd.)

b) Categories of Shareholders as on 31st March, 2009

Category	No. of Shares of held	% of Total Shareholding
Promoter Group	29816736	46.38
Mutual Funds / UTI	728205	1.13
Financial Institution / Banks	592257	0.92
NRIs / OCBs / Foreign Institutional Investors /Other Foreign Shareholders (Other than Promoter Group)	4012038	6.24
Bodies Corporate	6104923	9.50
Indian Public	23014194	35.80
Others	22058	0.03
GRAND TOTAL	64290411	100.00

Approximately 81.53 % of the Equity shares have been dematerialized as on 31st March, 2009. Trading in Equity Shares of the company is permitted only in dematerialized form with effect from 26.06.2000 as per notification issued by the Securities and Exchange Board of India in this regard.

16 Warrants pending conversion:

The Committee for Preferential Issue of Warrant had allotted 65,00,000 (Sixty Five Lakh) Zero Coupon Convertible Warrants (ZCCW) of Rs. 5/- each at a premium of Rs. 65/- each to the Promoters on 15th March, 2008 on preferential basis. These ZCCW become due for conversion on or before 15.09.2009 i.e. within 18 months from the date of allotment. The existing promoters shareholding is 2,98,16,736 equity share, constituting 46.38% of the total no. of share i.e. 6,42,90,411 equity shares. If the conversion option is exercised by the promotes, the post conversion shareholding of the promoters will stand to 3,63,16,736 equity share constituting 51.30% to the total no. of shares i.e. 7,07,90,411 equity shares. The total no. of shares will also stand increased by 65,00,000 equity shares from existing 6,42,90,411 equity shares to 7,07,90,411 equity shares.

17	**Plant Location:**	Balgopalpur Balasore – 756 020 Orissa
	Mines Location:	
	1. Chrome Ore	• Sukinda Valley, Dist. Jajpur (Orissa)
	2. Manganese Ore	• Joda, Dist. Keoajhar (Orissa) • Hathoda, Dist. Balaghat (M.P.)
	3. Quartize Mine	• Village - Baghjumpha, Mayurbhanj Dist. Mayurbhanj (Orissa)
18	1. Address for Investor Correspondence.	MCS Limited Unit: Balasore Alloys Limited 77/2A, Hazra Road Kolkata – 700 029 Ph. Nos.+ 91 33 24541892 - 1893 Fax Nos. +91 33 24541961 E-mail: mcskol@rediffmail.com
	2. Company's Address.	The GM & Company Secretary Balasore Alloys Limited Balgopalpur – 756 020 Dt. Balasore, Orissa. Ph. Nos.: +91 6782-275781-85 Fax Nos.: +91 6782-275724 E-Mail: ispatalloys@yahoo.co.in investorshelpline@balasorealloys.com Website: www.balasorealloys.com

Note: Shareholders holding shares in dematerialized form should address all correspondence to their respective depository participants.

REPORT ON CORPORATE GOVERNANCE (Contd.)

19 **Shareholder Reference**

a. **Dematerialise your shares**

All the investors are requested to convert your physical share into demat holdings. This will facilitate the immediate transfer of shares, no need of paying any stamp duty on transfer of shares and risks associated with physical share certificates such as forged transfer, fake certificates and bad deliveries are avoided.

b. **Consolidate Multiple Folios**

The Investors having multiple folios are advised to consolidate the same. This would result in the one-stop tracking of all corporate benefits on the shares and would reduce time and effort required to monitor multiple folios.

c. **Nomination**

Shareholders holding shares in physical form and desirous of submitting / changing nomination in respect of their shareholding in the Company may submit Form 2B (in duplicate) as per the provisions of Section 109A the Companies Act, 1956 to the Company's Registrars & Transfer Agent. This would help the successors to get the shares transmitted in their favour without any hassle.

d. **Confidentiality**

Folio no., DP and ID no., as the case may be, should not be disclosed to and blank signed transfer form should not be given to any unknown persons.

e. **General Points While Writing to Company or Registrar and Transfer Agent**

While writing to the Company and/or Registrar and Transfer Agent, investor should mentioned their Folio no., DP ID no., full name, address in the letter and sign the same. Signature should be as per the company's record. In case of joint holders, all the joint holders should sign the documents and in case of transfer, the transfer form accompanied with original share certificates should be delivered to the Registrar and Transfer Agent.

f. **Permanent Account Number (PAN)**

SEBI has clarified that for securities market transactions and off-market/ private transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/RTAs for registration of such transfer of shares.

Accordingly all shareholders are requested to submit duly attested photocopy (both side) of their PAN card alongwith duly executed transfer form to facilitate the speedy transfer of shares.

Shareholders holding shares in electronic form are required to furnish their PAN details to their Depository Participants with whom they maintain their account alongwith the documents as required by them.

CERTIFICATION BY
CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)

The Board of Directors
Balasore Alloys Limited
Park Plaza, 1st Floor
71, Park Street
Kolkata - 700 016

24th July, 2009

We, R K Jena, Managing Director and R K Sharma, Chief Financial Officer of Balasore Alloys Limited, together certify to the Board that we have reviewed the financial statements and the cash flow statement of the Company for the Financial year ended 31st March, 2009 and to the best of our knowledge and belief, we certify that –

1. The statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
2. These Statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
3. There are no transactions entered into by the Company during the financial year ended 31st March, 2009, which are fraudulent, illegal or violative of the Company's Code of Conduct;
4. For the purposes of financial reporting, we accept the responsibility for establishing and maintaining the internal controls which are monitored by the Company's Internal Auditor and we have evaluated the effectiveness of the internal control systems of the Company based on feedbacks received from the Company's Internal Auditor and accordingly state that there are no deficiencies in the design or operation of the internal controls, of which we awareof;
5. There have been no significant changes in internal controls during the year, nor has there been any significant changes in the Accounting policies during the financial year ended 31st March, 2009 which requires to be disclosed in the notes to the financial statements;
6. There have been no instances of frauds, of which we are awareof, for the financial year ended 31st March, 2009.

R K Sharma
Chief Financial Officer

R K Jena
Managing Director

AUDITORS' CERTIFICATE

To
The Members of Balasore Alloys Limited

We have examined the compliance of conditions of corporate governance by Balasore Alloys Limited, for the year ended on 31st March, 2009, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S.R. BATLIBOI & CO.
Chartered Accountants

per R. K. Agrawal
Partner
Membership No.:16667

Place : Kolkata
Date : 24th July, 2009

AUDITORS' REPORT TO THE MEMBERS
OF
BALASORE ALLOYS LIMITED

1. We have audited the attached Balance Sheet of Balasore Alloys Limited ('the Company') as at 31st March, 2009 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that :

   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   v. On the basis of written representations received from the directors, as on 31st March, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

   vi. Without qualifying our opinion, attention is drawn to Note No. 15(b) on Schedule 22 regarding excess remuneration of Rs 56.80 lacs paid to the whole time director, which is pending approval of the Central Government;

   vii. *Attention is drawn to the following Notes on Schedule 22 :*

      (a) Note No. 22 regarding certain advances of Rs. 735.00 lacs (Rs 1107.00 lacs as at 31st March, 2008) against supply of raw materials which are pending beyond the stipulated delivery schedules. We are unable to opine on the recoverability/ adjustment of these advances through supply of such materials and thus its consequent impact, if any, on the Company's profit.

      (b) Note No. 14(b) regarding recognition of Minimum Alternate Tax (MAT) Credit Entitlement of Rs 795.92 lacs (Rs 625.00 lacs as at 31st March, 2008) based on the future profitability projections made by the management. However, we are unable to express any opinion on the above projections and their consequent impact, if any, on the Company's profit.

   The above matter had caused us to qualify our audit opinion on the financial statements of the company for the 15 months period ended 31st March, 2008.

   Without considering item vii(a) above, whose impact, if any, is presently not ascertainable, had the impact of vii(b) above been considered, there would be a net loss of Rs 702.33 lacs for the year as against the reported net profit of Rs 93.59 lacs and the Profit and Loss Account Credit balance would have been Rs 8783.38 lacs as against the reported balance of Rs 9579.30 lacs.

viii. *Subject to the effect of matters contained in para vii above*, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

a) in the case of balance sheet, of the state of affairs of the Company as at 31st March, 2009;

b) in the case of profit and loss account, of the profit of the Company for the year ended on that date; and

c) in the case of cash flow statement, of the cash flows of the Company for the year ended on that date.

For S. R. BATLIBOI & CO.
Chartered Accountants
per R. K. AGRAWAL
Partner
Membership No. 16667

22 Camac Street
Block 'C', 3rd Floor
Kolkata700016.
Date : 24th July, 2009

ANNEXURE TO THE AUDITORS' REPORT
(REFERRED TO IN OUR REPORT OF EVEN DATE TO THE MEMBERS OF BALASORE ALLOYS LIMITED AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2009)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification in a phased manner to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) During the year, the Company has disposed off/discarded certain assets amounting to Rs 6192.61 lacs (written down value Rs 2785.52 lacs). Based on the information and explanations given by the management and on the basis of audit procedures performed by us, we are of the opinion that the sale of the said fixed assets has not affected the going concern status of the Company.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and material discrepancies noted on physical verification of raw material stock have been properly adjusted in the books.

(iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore the provisions of clauses 4(iii)(b) to 4(iii)(d) of the Order are not applicable.

(b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore the provision of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. As informed, the Company has not made any sale of services during the year.

(v) According to the information and explanations provided by the management, there have been no transactions during the year that need to be entered into the register maintained under section 301 of the Companies Act, 1956.

(vi) As informed, the Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.

(ix) (a) The Company has been generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other statutory dues with the appropriate authorities *though there has been slight delay in some cases.*

(b) According to the information and explanations given to us, undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other statutory dues which were outstanding, at the year end for a period of more than six months from the date they became payable are as follows :-

Name of the statute	**Nature of the dues**	**Amount (Rs in lacs)**	**Period to which the amount relates**	**Due Date**	**Date of Payment**
Income Tax Act, 1961	Tax expenses arising out of amendment in Finance Act, 2008	71.05	1st April, 2006 to 31st March, 2007	30th April, 2008	Not paid

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows :

Name of the statute	**Nature of dues**	**Amount (Rs in lacs)**	**Period to which the amount relates**	**Forum where dispute is pending**
Orissa Value Added Tax Act, 2004	Disallowance of Input tax credit set off	7.76	2005-06	Appellate Tribunal
Orissa Entry Tax Act, 1999	Classification of Goods	12.16	2005-06	Commissioner Appeal
Central Sales Tax Act, 1956	Non Submission of Forms, Consignment sales, tax on DEPB sales and sales tax deferment (including interest and penalty)	368.07	1991-92, 1994-95 to 2000-01, 2002-03 to 2004-05	Commissioner, Appellate Tribunal and Orissa High Court
Central Excise Act, 1944	Demand on advances received from customers	16.27	1993-94 & 1994-95	High Court
Orissa Electricity (Duty) Act, 1961	Electricity Duty	6.96	2001	High Court

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, *the Company has delayed in repayment of dues to banks [excluding Rs. 592.11 lacs, the repayment of which has been re-scheduled as indicated in Note No. 6 on Schedule 22] to the extent of Rs. 3242.03 lacs during the year (the delay in such repayments for more than 90 days being Rs.110.77 lacs). Further Rs.376.96 lacs of such dues were in arrears as on the balance sheet date (the delay for a period of more than 90 days being Rs.108.87 lacs).* There are no dues to financial institution and debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

(xv) As indicated in Note No. 10 on Schedule 22, the Company has given a guarantee by way of pledge of its certain investments as securities for loans taken by a related party from bank or financial institutions, the terms and conditions whereof, considering its strategic nature, are stated to be not prejudicial to the interest of the Company.

(xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which these loans were obtained.

(xvii) According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that *the Company has used funds raised on short-term basis to the extent of Rs 4898.22 lacs for long-term investment in fixed assets & investments and repayment of long term loans.*

(xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money through a public issue during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. BATLIBOI & CO.
Chartered Accountants
per R. K. AGRAWAL
Partner
Membership No. 16667

22 Camac Street
Block 'C', 3rd Floor
Kolkata700016.
Date : 24th July, 2009

BALANCE SHEET AS AT 31ST MARCH, 2009

(Rs.in Lacs)

	Schedules	As at 31st March, 2009	As at 31st March, 2008
A. SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
a) Share Capital	1	**3,366.38**	3,366.38
b) Application Money towards Equity Warrants (Refer Note No. 8 on Schedule 22)		**490.00**	490.00
c) Reserves & Surplus	2	**20,806.03**	22,866.99
		24,662.41	26,723.37
LOAN FUNDS			
a) Secured Loans	3	**17,697.74**	13,781.22
b) Unsecured Loans	4	**1,787.85**	1,910.71
		19,485.59	15,691.93
DEFERRED TAX LIABILITY (NET)	7	**458.72**	—
TOTAL		**44,606.72**	42,415.30
B. APPLICATION OF FUNDS			
FIXED ASSETS			
a) Gross Block	5	**52,717.86**	52,928.93
b) Less : Accumulated Depreciation/Amortisation		**18,799.38**	19,667.96
c) Net Block		**33,918.48**	33,260.97
d) Capital Work in Progress		**4,758.73**	4,770.23
		38,677.21	38,031.20
INVESTMENTS	6	**2,092.54**	203.79
DEFERRED TAX ASSET (NET)	7	**—**	55.87
CURRENT ASSETS, LOANS & ADVANCES			
a) Inventories	8	**14,099.68**	11,659.71
b) Sundry Debtors	9	**1,176.27**	845.17
c) Cash & Bank Balances	10	**2,083.94**	1,469.74
d) Other Current Assets	11	**846.54**	373.75
e) Loans & Advances	12	**11,133.31**	7,108.20
		29,339.74	21,456.57
Less: CURRENT LIABILITIES & PROVISIONS			
a) Current Liabilities	13	**25,042.88**	16,665.66
b) Provisions	14	**459.89**	666.47
		25,502.77	17,332.13
Net Current Assets		**3,836.97**	4,124.44
TOTAL		**44,606.72**	42,415.30
Significant Accounting Policies & Notes on Accounts	22		

The schedules referred to above form an integral part of the Balance Sheet.

As per our Report of even date

For and on behalf of Board of Directors

For S. R. Batliboi & Co.
Chartered Accountants

per R. K. Agrawal
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 24th July, 2009

R K Jena
Managing Director

C R Pradhan
Director - Operations

Trilochan Sharma
GM & Company Secretary

M Trivedi
S Mohapatra
S K Pal
A K Bhattacharyya
S K Majumdar
K P Khandelwal
R N Pandey
Directors

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

(Rs.in Lacs)

	Schedules		2008-09 (12 months)		2007-08 (15 months)
INCOME					
Sales (Gross)	15		**65,689.46**		55,039.57
Less : Excise Duty			**1,816.03**		1,953.95
			63,873.43		53,085.62
Other Income	16		**1,123.62**		1,186.51
Total			**64,997.05**		54,272.13
EXPENDITURE					
(Increase) / Decrease in Stocks	17		**(764.92)**		(537.22)
Excise Duty & Cess on Stocks (Refer Note No. 27 on Schedule 22)			**24.69**		11.49
Raw Materials Consumed	18		**29,316.87**		20,828.19
Purchases of Finished Goods			**3,541.48**		—
Personnel Cost	19		**1,696.86**		1,950.28
Power and Fuel			**10,001.73**		12,422.22
Manufacturing, Selling and Administrative Expenses	20		**14,467.18**		9,419.27
Interest & Finance Charges	21		**4,457.79**		3,162.58
Depreciation / Amortisation		**2,538.51**		3,538.11	
Less: Transferred from General Reserve		**1,353.12**	**1,185.39**	1,701.37	1,836.74
Total			**63,927.07**		49,093.55
Profit before Prior Period Items & Taxes			**1,069.98**		5,178.58
Less : Prior Period Items (Net) (Refer Note No 23 on Schedule 22)			**361.83**		61.75
Profit before Taxes			**708.15**		5,116.83
Provisions for Taxes					
– Current Tax		**231.77**		540.25	
Less : MAT Credit Entitlement (Refer Note No 14 on Schedule 22)		**170.92**	**60.85**	625.00	(84.75)
– Deferred Tax charge			**514.59**		1,822.79
– Wealth Tax			**0.43**		0.68
– Fringe Benefit Tax			**38.69**		49.00
Profit after Taxes			**93.59**		3,329.11
Profit brought forward from previous period		**9,485.71**		6,299.59	
Less : Adjustment towards additional Employee Benefit Liability (Net of Deferred tax credit of Rs.Nil (Rs 73.63 lacs)).		**—**	**9,485.71**	142.99	6,156.60
Profit carried to the Balance Sheet			**9,579.30**		9,485.71
Earning per share [Nominal value of shares - Rs 5/-]					
– Basic (Rs)			**0.15**		5.36
– Diluted (Rs) (Refer Note No.16 on Schedule 22)			**0.14**		5.35
Significant Accounting Policies & Notes on Accounts	22				

The schedules referred to above form an integral part of the Profit & Loss Account.

As per our Report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per R. K. Agrawal
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 24th July, 2009

For and on behalf of Board of Directors

R K Jena
Managing Director

C R Pradhan
Director - Operations

Trilochan Sharma
GM & Company Secretary

M Trivedi
S Mohapatra
S K Pal
A K Bhattacharyya
S K Majumdar
K P Khandelwal
R N Pandey
Directors

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

		2008-2009 (12 months)		(Rs in Lacs) 2007-2008 (15 months)
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before taxes		**708.15**		5,116.83
Adjustments for :				
Depreciation/Amortisation	**1,185.39**		1,836.74	
Dividend on long term investments (Other than Trade)	—		(6.60)	
Interest Income	**(610.41)**		(412.27)	
Unspent Liability no longer required written back	**(405.20)**		(256.26)	
(Gain)/Loss on Foreign Exchange Rate Fluctuation/ Forward Exchange Contract (net)	**6,075.59**		(312.58)	
Provision for Diminition in value of quoted Investment written back	**107.18**		(108.22)	
Irrecoverable debts , deposits & Advances written off	**33.45**		111.36	
Provision for doubtful debts/advances	**116.94**		46.18	
Loss on Sale/Discard of Fixed Assets (net)	**1,603.09**		1,651.44	
Provision for doubtful debts/advances written back	**(5.00)**		—	
Interest Expenses	**4,092.10**	**12,193.13**	2,789.08	5,338.87
Operating Profit before working capital changes		**12,901.28**		10,455.70
Movement in Working Capital for :				
(Increase)/Decrease in Inventories	**(1,898.47)**		(3,575.21)	
(Increase)/Decrease in Sundry Debtors	**(948.98)**		37.78	
(Increase)/Decrease in Loans & Advances	**(1,767.71)**		(1,726.37)	
Increase/(Decrease) in Current Liabilities	**3,689.88**		3,137.12	
Increase/(Decrease) in Provisions	**8.43**	**(916.85)**	44.80	(2,081.88)
Cash generated from Operations		**11,984.43**		8,373.82
Direct Tax Paid		**(872.77)**		(397.13)
Net Cash generated from Operating Activities		**11,111.66**		7,976.69
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	**(8,926.46)**		(5,994.90)	
Investment in Subsidiary	**(1,994.25)**		—	
Acquisition of Investments (other than Subsidiary)	**(1.70)**		(0.45)	
Sale of Fixed Assets	**1.77**		340.85	
Proceed from disposal of Investments	**0.02**		—	
Interest Received	**137.62**		179.72	
Dividend on long term investments (Other than Trade)	—		6.60	
Net cash used in investing activities		**(10,783.00)**		(5,468.18)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Share Application Money Received including premium	—		838.75	
Receipt of long term borrowings	**235.00**		1,331.75	
Repayment of long term borrowings	**(3,555.37)**		(2,758.83)	
Net movement in other borrowings	**5,981.25**		1,271.77	
Interest Paid	**(3,421.34)**		(2,869.70)	
Payment to Investor Education Fund	—		(1.37)	
Net cash used in financing activities		**(760.46)**		(2,187.63)
Net Increase in cash & cash equivalents (A+B+C)		**(431.80)**		320.88
Cash & Cash equivalents as on 01.04.2008		**467.24**		146.36
Cash & Cash equivalents as on 31.03.2009		**35.44**		467.24

* Represents cash & bank balances as reflected in Schedule 10
excluding Rs 2048.50 lacs (Rs 1002.50 lacs) being the balance of restricted Fixed Deposits

As per our attached Report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per R. K. Agrawal
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 24th July, 2009

For and on behalf of Board of Directors

R K Jena
Managing Director

C R Pradhan
Director - Operations

Trilochan Sharma
GM & Company Secretary

M Trivedi
S Mohapatra
S K Pal
A K Bhattacharyya
S K Majumdar
K P Khandelwal
R N Pandey
Directors

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs.in Lacs)

SCHEDULE 1

SHARE CAPITAL

	As at 31st March, 2009	As at 31st March, 2008
AUTHORISED		
200,000,000 Equity Shares of Rs.5 each	**10,000.00**	10,000.00
	10,000.00	10,000.00
ISSUED AND SUBSCRIBED		
64,290,411 Equity Shares of Rs 5 each, fully paid up	**3,214.52**	3,214.52
Add: Shares forfeited	**151.86**	151.86
(Amount originally paid up)		
	3,366.38	3,366.38

SCHEDULE 2

RESERVES AND SURPLUS

		As at 31st March, 2009		As at 31st March, 2008
Capital Reserve				
Central Investment Subsidy				
As per last Account		**41.96**		41.96
Securities Premium Account				
As per last Account	**1,550.00**		1,250.00	
Add: Received during the period	**—**	**1,550.00**	300.00	1,550.00
General Reserve				
As per last Account	**11,789.32**		13,490.69	
Less: Transfer to depreciation account	**1,353.12**		1,701.37	
Adjustment towards discard/sale of fixed assets	**801.43**	**9,634.77**	—	11,789.32
(Refer Note No 1(iv)(c) on Schedule 22)				
Balance in Profit and Loss Account		**9,579.30**		9,485.71
		20,806.03		22,866.99

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs.in Lacs)

		As at 31st March, 2009		As at 31st March, 2008
SCHEDULE 3				
SECURED LOANS				
From Scheduled Banks				
Term Loans :				
Rupee Loans		**8,481.15**		7,163.57
Funded Interest Term Loans(not bearing Interest)		**—**		3,299.00
(Refer Note Nos. 6 & 7 on schedule 22)				
Working Capital Facilities				
– In Rupees	**6,847.50**		2,310.89	
– In Foreign Currency	**2,022.91**	**8,870.41**	1,007.76	3,318.65
Interest Accrued & Due		**346.18**		—
		17,697.74		13,781.22

Notes

i) Term loans are secured by a first mortgage on the Company's immovable properties, both present and future, and / or by way of hypothecation of all the movable assets (save and except book debts) including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges in favour of the company's bankers on stocks for securing working capital requirements. The above term loans are further guaranteed by Mr. Pramod Mittal and Mr. V. K. Mittal, directors of the company who have also pledged a portion of their shareholding in the company with the bankers.

ii) Working capital facilities of Rs 7962.95 lacs (Rs 3318.65 lacs) are secured by hypothecation of the Company's stocks and book debts, and also by a second & subsequent charge on the immovable properties, both present & future. Further, working capital facilities of Rs 907.46 lacs (Rs Nil) are also secured against fixed deposits with bank.

iii) Secured Loans (Other than working capital facilities of Rs 907.46 lacs) are also secured by pledge of a part of the share holding of the promoters

iv) All the mortgages and charges created in favour of the Banks for Term and Other Loans rank pari passu inter se.

v) Term loans agreegeting to Rs Nil. (Rs 1719.37 lacs) are payable within one year. Refer Note No. 6 on Schedule 22

SCHEDULE 4		
UNSECURED LOANS		
Foreign Curency Term Loan		
From IKB Deutsche Industrie Bank	**—**	158.95
Other Loans (partly bearing interest)		
From Bodies Corporate	**1,694.75**	1,676.75
Under Sales Tax Deferment Scheme	**75.01**	75.01
Interest Accrued & Due	**18.09**	—
	1,787.85 *	1,910.71

* Includes amount falling due for payment within one year Rs 748.01 lacs (Rs 233.96 lacs)

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 5

FIXED ASSETS

(Rs.in Lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 31.03.2008	Additions	Deductions/ Adjustments	**As at 31.03.2009**	Up to 31.03.2008	For the Year	On Deductions/ Adjustments	**Up to 31.03.2009**	**As at 31.03.2009**	As at 31.03.2008
Tangible Assets										
Lease Hold Land	137.22	–	–	**137.22**	15.61	1.52	–	**17.13**	**120.09**	121.61
Free Hold Land	415.55	225.53	–	**641.08**(e)	–	–	–	**–**	**641.08**	415.55
Mining Lease	17,382.14	–	–	**17,382.14**	2,261.93	695.29	–	**2,957.22**	**14,424.92**	15,120.21
Buildings	4,168.54	135.51	–	**4,304.05**	1,164.62	125.60	–	**1,290.22**	**3,013.83**	3,003.92
Plant & Machinery	30,209.81	5,007.65	6,183.53	**29,033.93**	15,813.59	1,656.82	3,401.67	**14,068.74**	**14,965.19**	14,396.22
Vehicles	116.32	–	3.07	**113.25**	69.50	4.85	0.83	**73.52**	**39.73**	46.82
Office Equipments, Furniture & Fixtures	499.35	58.61	6.01	**551.95**	342.71	33.72	4.59	**371.84**	**180.11**	156.64
Intangible Assets										
Mines Development	–	554.24	–	**554.24**(f)	–	20.71	–	**20.71**	**533.53**	–
Total	52,928.93(a)	5,981.54	6,192.61(b)	**52,717.86**	19,667.96	2,538.51	3,407.09	**18,799.38**	**33,918.48**	33,260.97
Capital work in progress	4,770.23	9,028.29	9,039.79(d)	**4,758.73**(c)	–	–	–	**–**	**4,758.73**	4,770.23
Grand Total	57,699.16	15,009.83	15,232.40	**57,476.59**	19,667.96	2,538.51	3,407.09	**18,799.38**	**38,677.21**	38,031.20
Previous Period's total	56,323.38	7,372.55	5,996.77	57,699.16	18,408.29	3,538.11	2,278.44	19,667.96	38,031.20	

Notes

(a) Includes Rs 23118.34 lacs capitalised on account of revaluation of fixed assets as on 31st December 2004 at net replacement cost basis.

(b) Represents assets sold/discarded during the year.

(c) Includes Capital Advances Rs 535.09 lacs (Rs 2781.97 lacs).

(d) Represents Rs 5981.54 lacs capitalised under various heads, Rs 162.25 lacs, being the value of assets discarded and Rs 2896.00 lacs, being capital advances transferred to loans during the year

(e) Includes land valuing Rs 141.05 lacs yet to be registered in the name of the Company.

(f) Represents cost of Net Present Value of Forest Restoration, Exploration cost etc.

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs.in Lacs)

	Nos	Face Value per Share/Unit (Rs.)	**As at 31st March, 2009**	As at 31st March, 2008
SCHEDULE 6				
INVESTMENTS (Long Term)				
A. GOVERNMENT SECURITIES (Unquoted, Trade)				
6 years National Savings Certificates (Deposited with Government Departments)			**0.73**	0.75
		(A)	**0.73**	0.75
B. IN SUBSIDIARY COMPANY (Unquoted, Trade, Fully Paid-up)				
Equity Shares in Milton Holding Limited #	43601 (-)	USD 100	**1,994.25**	—
		(B)	**1,994.25**	**—**
C. IN ASSOCIATE COMPANY (Unquoted, Trade, Fully Paid-up)				
Equity Shares in Balasore Energy Limited	17000 (-)	10	**1.70**	—
		(C)	**1.70**	**—**
D. OTHER INVESTMENTS-FULLY PAID-UP (Other than Trade)				
i) Unquoted				
Equity Shares in Elephanta Gases Limited	300000	10	**30.00**	30.00
Equity Shares in Ispat Finance Limited	116	10	**0.10**	0.10
Magnum units of SBI Mutual Fund	165000	10	**10.00**	10.00
			40.10	40.10
ii) Quoted				
Equity Shares in Ispat Industries Limited (Refer Note No 10 on Schedule 22)	453000	10	**293.15**	293.15
0.01% Cumulative Redeemable Preference Shares in Ispat Industries Limited	302000	10	**195.43**	195.43
Equity Shares of Ispat Profiles India Limited.	39950	10	**7.99**	7.99
			496.57	496.57
Less: Provision for diminution in the value of Investments			**(440.81)**	(333.63)
			55.76	162.94
		(D)	**95.86**	203.04
Total		(A+B+C+D)	**2,092.54**	203.79
Aggregate value of investments				
Quoted			**55.76**	162.94
Unquoted			**2,036.78**	40.85
			2,092.54	203.79
Market Value of Quoted Investments			**55.76**	162.94

Valued at the exchange rate prevailing on the date of transaction

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs.in Lacs)

	As at 31st March, 2009	As at 31st March, 2008
SCHEDULE 7		
DEFERRED TAX ASSET/(LIABILITY)(NET)		
As per Last Account	**55.87**	1,805.03
Add : Deferred Tax Asset on Employee Benefit as on 1st January 2007	**—**	73.63
Less: Deferred Tax Charge for the year	**514.59**	1,822.79
	(458.72) #	55.87
# Refer Note No. 13 on Schedule 22		
SCHEDULE 8		
INVENTORIES		
At lower of cost and net realisable value		
Stores, Spares & Consumables (Includes discarded fixed assets awaiting disposal Rs.901.50 lacs (Rs 360.00 lacs)	**2,118.28**	884.12
Raw Materials (Includes in transit Rs.1940.53 lacs (Rs.945.20 lacs) (Refer Note No. 20 on schedule 22)	**10,299.09**	9,858.20
Goods under process	**92.51**	127.44
Finished Goods	**783.87**	563.25
At estimated net realisable value		
Saleable scrap	**805.93**	226.70
	14,099.68	11,659.71
SCHEDULE 9		
SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered Good	**—**	1.05
Considered Doubtful	**11.83**	16.83
Other Debts		
Considered Good	**1,176.27**	844.12
	1,188.10	862.00
Less: Provision for Doubtful Debts	**11.83**	16.83
	1,176.27	845.17
SCHEDULE 10		
CASH & BANK BALANCES		
Cash-on-hand	**7.70**	14.66
With Scheduled Banks on:		
– Current Account	**27.69**	452.53
– Fixed Deposit Account (Receipts lying with Banks as security against guarantees / letters of credit issued by them)	**2,048.50**	1,002.50
With Post Office on Savings Account	**0.05**	0.05
	2,083.94	1,469.74
SCHEDULE 11		
OTHER CURRENT ASSETS		
Interest Receivable		
Considered Good	**846.54**	373.75
Considered Doubtful	**10.11**	10.11
	856.65	383.86
Less: Provision for Doubtful Receivables	**10.11**	10.11
	846.54 #	373.75

Includes Rs 458.09 (Rs 240.70) due for more than six months.

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2009	(Rs.in Lacs) As at 31st March, 2008
SCHEDULE 12		
LOANS & ADVANCES		
(Unsecured, Considered Good except stated otherwise)		
Loans		
Considered Good	**4,727.00**	1,640.00
Considered Doubtful	**35.81**	35.81
Advances recoverable in cash or in kind or for value to be received or pending adjustments {Including loans to employees Rs.13.26 lacs (Rs.19.03 lacs)}		
Considered Good	**2,103.94**	2,125.98
Considered Doubtful	**125.67**	231.57
Export Benefits Receivable	**502.61**	463.09
Balance with Central Excise, Sales Tax & other government Authorities	**1,378.47**	1,067.49
Advance income tax / Tax deducted at source (Net of provisions)	**386.86**	-
MAT Credit Entitlement	**795.92**	625.00
Security & Other Deposits	**1,238.51**	1,186.64
	11,294.79	7,375.58
Less: Provision for Doubtful Loans & Advances	**161.48**	267.38
	11,133.31	7,108.20
SCHEDULE 13		
CURRENT LIABILITIES		
Acceptances	**2,625.02**	4,105.93
Sundry Creditors for goods, services, expenses etc.		
a) Due to Micro and Small Enterprises (Refer Note No 4 on Schedule 22)	**70.45**	63.04
b) Due to Others (Including due to a Director Rs 9.98 lacs (Rs 20.07 lacs))	**17,310.67**	8,570.82
Other Liabilities	**403.56**	327.78
Temporary Book Overdraft from Banks	**152.09**	151.11
Advances from Customers	**4,478.08**	3,446.98
Interest accrued but not due on loans	**3.01**	-
	25,042.88	16,665.66
SCHEDULE 14		
PROVISIONS		
Retirement Benefits		
Gratuity	**206.74**	241.01
Superannuation	**34.52**	29.30
Leave Salary	**198.68**	161.20
Site Restoration	**18.00**	18.00
Income Tax (Net of Advance Tax / Tax deducted at sources)	**—**	206.91
Fringe Benefit Tax (Net of Advances)	**1.95**	10.05
	459.89	666.47

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	2008-2009 (12 months)	(Rs.in Lacs) 2007-2008 (15 months)
SCHEDULE 15		
SALES (Gross)		
Finished Goods	**64,961.76**	53,855.60
Saleable Scrap	**87.00**	92.75
Export Benefits	**640.70**	1,091.22
	65,689.46	55,039.57
SCHEDULE 16		
OTHER INCOME		
Interest on loans, deposits, etc (Gross)	**610.41**	412.27
{Tax deducted at source Rs. 34.11 lacs (Rs. 59.51 lacs)}		
Insurance claims	**9.33**	12.42
Dividend on long term investments (Other than trade)	**—**	6.60
Unspent liabilities no longer required written back	**405.20**	256.26
Provision for diminution in the value of Invetsments written back	**—**	108.22
Provision for doubtful Debts / Advances written back	**5.00**	—
Gain on Foreign Exchange Fluctuation /Forward Exchange Contract (Net)	**—**	312.58
Miscellaneous Receipts	**93.68**	78.16
	1,123.62	1,186.51
SCHEDULE 17		
(INCREASE) / DECREASE IN STOCKS		
Opening Stocks		
Goods under process	**127.44**	48.82
Finished goods	**563.25**	176.98
Saleable scrap	**226.70**	154.37
	917.39	380.17
Less : Closing Stocks		
Goods under process	**92.51**	127.44
Finished goods	**783.87**	563.25
Saleable scrap	**805.93**	226.70
	1,682.31	917.39
	(764.92)	(537.22)
SCHEDULE 18		
RAW MATERIALS CONSUMED		
Opening Stock	**9,858.20**	6,928.24
Add : Purchases (Net of sales, claims etc of Rs 585.72 lacs (Rs 853.09 lacs) and including procurement & handling expenses)	**29,757.76** *	23,758.15
	39,615.96	30,686.39
Less : Closing Stock	**10,299.09**	9,858.20
	29,316.87	20,828.19

*Refer Note Nos. 19 & 20 on Schedule 22

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

(Rs.in Lacs)

		2008-2009 (12 months)		2007-2008 (15 months)
SCHEDULE 19				
PERSONNEL COST				
Salaries, Wages, Bonus, etc		**1,296.11**		1,536.83
Contribution to Provident, Gratuity & Other funds		**143.18**		128.13
Staff Welfare Expenses		**96.16**		129.66
Managerial Remuneration		**161.41**		155.66
(Refer Note No. 15(a) on schedule 22)		**1,696.86**		1,950.28
SCHEDULE 20				
MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES				
Contract Labour Charges		**308.38**		572.60
Stores, Spares & Consumables		**576.76**		619.49
Repairs & Maintenance :				
Plant & Machinery	**267.57**		385.42	
Buildings	**106.60**		276.66	
Others	**20.21**	**394.38**	14.96	677.04
Packing and Carriage charges		**2,141.71**		2,564.24
[(Net of Recoveries Rs 476.60 lacs (Rs 296.68 lacs)]				
Commission on Sales (other than sole selling agent)		**1,193.15**		1,208.58
Rent and hire charges		**67.73**		45.31
Insurance		**40.81**		63.29
Rates and Taxes		**22.17**		30.57
Directors' sitting fees		**6.85**		6.50
Charity and Donations		**18.06**		24.97
Irrecoverable debts, deposits and advances written off	**256.29**		129.06	
Less : Adjusted against Provision	**222.84**	**33.45**	17.70	111.36
Provision for doubtful debts/advances		**116.94**		46.18
Auditors' Remuneration :				
As Auditors				
Audit Fees		**22.50**		20.00
Limited Reviews		**11.25**		11.00
Tax Audit Fees		**6.00**		14.25
In Other Capacity for Certification etc		**3.80**		4.00
Out of Pocket expenses		**0.64**		0.91
Loss on Sale / Discard of Fixed Assets		**1,603.09**		1,651.44
Loss on Foreign Exchange Fluctuation /Forward Exchange Contract (Net)		**6,075.59**		—
Legal & Professional Charges		**486.18**		264.72
Travelling and Conveyance		**372.41**		348.68
Postage & Communication Charges		**48.77**		57.83
Peripherial and Site Development Expenses		**259.78**		436.92
Provision for diminution in the value of Investments		**107.18**		—
Miscellaneous Expenses		**549.60**		639.39
		14,467.18		9,419.27
SCHEDULE 21				
INTEREST & FINANCE CHARGES				
Interest to Banks:				
Term Loans	**1,267.93**		1,071.82	
Working Capital Facilities	**1,401.83**		1,065.95	
[(Net of recoveries Rs 135.39 lacs (Rs 93.53 lacs)]				
For Recompense (Refer Note Nos. 6 & 7 on Schedule 22)	**770.00**	**3,439.76**	—	2,137.77
Interest to Others on Loans, Deposits etc:		**652.34**		651.31
Bank Commission & Charges		**365.69**		373.50
		4,457.79		3,162.58

SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE 22

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of preparation of Accounts

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on accrual basis, except in respect of interest income on overdue bills and insurance & other claims / refunds, which due to uncertainty in realization, are accounted for on acceptance/actual receipt basis. The accounting policies have been consistently applied by the Company.

(ii) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates

(iii) Fixed Assets

a) Fixed Assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment, if any. The cost of acquisition comprises purchase price inclusive of duties (net of Cenvat), taxes, incidental expenses, erection/commissioning/trial run expenses and interest etc, up to the date the assets are ready for intended use.

b) Expenditure incurred on development of mines subsequent to the allotment of their lease are capitalized as intangible assets.

c) In case of revaluation of fixed assets, the original cost as written up by the approved valuers is considered in the accounts and the differential amount is credited to revaluation reserve.

d) Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalized and depreciated over the residual life of the respective assets.

e) The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the assets. The estimated future cash flows considered for determining the value in use, are discounted to their present value at the weighted average cost of capital.

f) Assets awaiting disposal are valued at the lower of written down value and net realizable value and disclosed separately.

(iv) Depreciation / Amortization

a) The classification of Plant & Machinery into continuous and non-continuous process is done as per the technical evaluation and depreciation thereon is provided accordingly.

b) Depreciation on fixed assets is provided on straight-line method at the rates specified in schedule XIV to the Companies Act, 1956 or the rates determined as per the useful lives of the respective assets, whichever is higher.

SCHEDULE 22 *(Contd.)*

c) Depreciation on revalued assets is provided at the rates specified in Section 205(2) (b) of The Companies Act, 1956. However in case of fixed assets whose life is determined by the valuer to be less than their useful life under Section 205, depreciation is provided at the higher rate, to ensure the write off of these assets over their life determined by the valuer. Additional depreciation arising due to revaluation of fixed assets is adjusted against General Reserve since the surplus arising on revaluation had been transferred to General Reserve in the period 2004-05 as per Hon'ble High Court Order.

d) Leasehold land is amortised over the period of lease.

e) Mining lease is amortised over the lease period.

f) Mines Development expenditure are amortised over the balance period of respective leases.

g) Depreciation on Fixed Assets added/disposed off during the year is provided on prorate basis with reference to the date of addition/disposal.

h) In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over their remaining useful life.

(v) Foreign Currency Transactions

a) **Initial Recognition:** Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

b) **Conversion:** Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

c) **Exchange Differences:** Exchange differences arising on the settlement / conversion of monetary items are recognized as income or expenses in the year in which they arises.

d) **Forward Exchange Contracts not intended for trading or speculation purpose:** The premium or discount arising at the inception of forward exchange contracts is amortized as expenses or income over the life of the respective contracts. Exchange differences on such contracts are recognized in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or expense for the year.

e) **Derivative Instruments:** In terms of the announcement made by the Institute of Chartered Accountants of India, the accounting for derivative contracts (other than those covered under Accounting Standard -11 "The Effects of Changes in Foreign Exchange Rates") is done based on the "marked to market" on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored as a matter of prudence.

(vi) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are valued at lower of cost and net realizable value on individual investment basis. Long term investments are valued at cost, unless there is an "other than temporary" decline in value thereof, in which case, adequate provision/write-off is made in the accounts.

(vii) Inventories

a) Raw materials, Stores, spares & consumables are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.

b) Goods under process and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials, labour cost and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

SCHEDULE 22 *(Contd.)*

c) Obsolete/damaged stores, saleable dust, discarded fixed assets and saleable scrap are valued at estimated net realizable value.

d) Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale

(viii) Retirement and Other Employee Benefits

a. Retirement benefits in the form of Provident Fund, Superannuation Fund and Employee State Insurance are defined contribution schemes and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no obligations other than the contribution payable to the respective trusts.

b. Gratuity liability is a defined benefit obligation and is provided for on the basis of actuarial valuation on projected unit credit method made at the end of each financial year.

c. Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation, as per projected unit credit method.

d. Actuarial gains/losses are taken to profit and loss account and are not deferred.

(ix) Borrowing Costs

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

(x) Taxation

Tax expense comprises of current, deferred, fringe benefit tax and prior year tax expenses, if any (net of MAT credit entitlement).

Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has carry forward unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is virtual certainty backed by convincing evidence that such deferred tax assets can be realized against future taxable profits. Unrecognized deferred tax assets of earlier periods are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

(xi) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

<u>Sale of Goods</u>

Revenue from sale of goods is recognized on dispatch of goods to customers, which is incidental to transfer of significant risk and reward of ownership. Sales are net of returns, claims, discounts etc.

SCHEDULE 22 *(Contd.)*

Interest

Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(xii) Segment Reporting

The company has identified Ferro Alloys as its sole operating segment and the same has been treated as the primary segment. The company's secondary geographical segments have been identified based on location of customers and are demarcated into Indian & Overseas revenue earnings.

(xiii) Provision

A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

(xiv) Earnings per Share

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(xv) Excise duty & custom duty :

Excise duty is accounted for at the point of manufacture of goods and accordingly is considered for valuation of finished goods stock lying in the factories as on the balance sheet date. Similarly, customs duty on imported materials in transit / lying in bonded warehouse is accounted for at the time of import / bonding of materials.

(xvi) Cash and Cash equivalents

Cash and cash equivalents as indicated in the cash flow statement comprise cash on hand, cash at bank and short-term investments with an original maturity of three months or less.

(xvii) Contingencies

Liabilities, which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of notes to the accounts.

2. Contingent liabilities not provided for in respect of :

(Rs.in Lacs)

	Particulars	**As at 31st March, 2009**	As at 31st March, 2008
a)	Claims against the company not acknowledged as debt	**—**	691.42
b)	Excise Matters under appeal	**—**	16.27
c)	Sales Tax matters under appeal {Amount paid under appeal Rs 207.98 lacs (Rs.187.74 lacs)}	**280.22**	487.71
d)	Un-expired Bank Guarantees and Letters of Credit	**402.90**	654.52
e)	Bills discounted with Banks	**2295.47**	2352.05
f)	Guarantee given by way of pledge of certain Investments as security. (Refer Note No. 10)	**49.15**	142.01
g)	Liabilities on account of dues under Orissa Rural Infrastructure and Socio Economic Development Act, 2004	Amount Unascertainable	

3. Estimated amount of Capital commitments (net of advances) Rs 5033.42 lacs (Rs 2325.64 lacs).

SCHEDULE 22 *(Contd.)*

4. The amounts due to Micro, Small and Medium Enterprises as per MSMED Act, 2006 are as follows:

(Rs. in Lacs)

	Particulars	As at 31st March, 2009	As at 31st March, 2008
a)	Principal Amount and Interest Due thereon remaining unpaid	**70.45**	63.04
b)	Amount of interest paid in terms of section 16 of the Micro Small and Medium Enterprise Development Act, 2006	**—**	—
c)	Amount of interest due and payable for the period of delay	**6.08**	3.46
d)	Amount of interest accrued and remaining unpaid as at the Balance Sheet Date	**6.08**	3.46
e)	Amount of further interest remaining due and payable in the succeeding year	**9.96**	3.88

5. Gratuity and other post retirement benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is entitled to Gratuity on terms not less favorable than the provisions of the Payment of Gratuity Act, 1972. The scheme is funded with Life Insurance Corporation of India in form of qualifying insurance policy.

The Company also extends benefit of compensated absences to the employees, whereby they are eligible to carry forward their entitlement of earned leave for encashment. This is an unfunded plan.

The following tables summaries the components of net benefit/ expense recongnised in the profit and loss account and balance sheet for the respective plans.

(a) Expenses recognized in the profit and loss account for respective periods are as follows: –

(Rs in Lacs)

Particulars	Gratuity		Leave	
	12 months (2008-09)	15 months (2007-08)	**12 months (2008-09)**	15 months (2007-08)
Current service cost	**28.97**	29.13	**18.20**	18.49
Interest cost on benefit obligation	**23.46**	24.63	**12.78**	9.74
Expected return on plan assets	**(7.74)**	(3.85)	**—**	—
Net actuarial (gains) / losses recognized in the period	**19.84**	(9.71)	**17.13**	38.48
Net benefit expense	**64.53**	40.20	**48.11**	66.71
Actual return on plan assets	**10.48**	3.17	**—**	—

(b) Net Liability recognized in the balance sheet as at respective dates are as follows:-

Defined benefit obligation	**352.01**	295.09	**198.68**	161.20
Fair value of plan assets	**145.27**	54.08	**—**	—
Net liability	**206.74**	241.01	**198.68**	161.20

SCHEDULE 22 *(Contd.)*

(c) Changes in the present value of the defined benefit obligation during respective periods are as follows:-

(Rs in Lacs)

Particulars	Gratuity		Leave	
	12 months (2008-09)	15 months (2007-08)	**12 months (2008-09)**	15 months (2007-08)
Opening defined benefit obligation	**295.09**	254.11	**161.20**	105.37
Interest cost	**23.46**	24.63	**12.78**	9.74
Current service cost	**28.97**	29.13	**18.20**	18.49
Benefit paid	**(18.09)**	(3.07)	**(10.63)**	(10.88)
Actuarial (gains) /losses on obligation	**22.58**	(9.71)	**17.13**	38.48
Closing defined benefit obligation	**352.01**	295.09	**198.68**	161.20

(d) Changes in the fair value of plan assets during respective periods are as follows:

(Rs in Lacs)

Particulars	Gratuity	
	12 months (2008-09)	15 months (2007-08)
Opening fair value of plan assets	**54.08**	19.90
Expected return on plan assets	**7.74**	3.17
Contribution by the Company	**98.80**	34.08
Benefits paid	**(18.09)**	(3.07)
Actuarial gains / (losses)	**2.74**	—
Closing fair value of plan assets	**145.27**	54.08

(e) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	Gratuity plan assets as at	
	31st March, 2009	31st March, 2008
Investments with insurer	100 %	100 %

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

(f) The principal assumptions used in determining gratuity and leave liability are as shown below:

(Rs in Lacs)

Particulars	Gratuity		Leave	
	12 months (2008-09)	15 months (2007-08)	**12 months (2008-09)**	15 months (2007-08)
Discount rate	**7.75%**	8.20%	**7.75%**	8.20%
Rate of increase in salary	**10.00%**	10.00%	**10.00%**	10.00%
Expected average remaining working live of the employees	**17.58**	17.94	**17.42**	17.84
Return on Plan Assets (Gratuity Scheme)	**7.75%**	8.20%	Not Applicable	
Mortality Table	Standard Table LIC (1994-1996)			

SCHEDULE 22 *(Contd.)*

(g) Amounts for the current and previous year are as follows:-

(Rs in Lacs)

Particulars	Gratuity		Leave	
	12 months (2008-09)	15 months (2007-08)	**12 months (2008-09)**	15 months (2007-08)
Defined benefit obligation	**352.01**	295.09	**198.68**	161.20
Fair value of plan assets	**145.27**	54.08	**—**	—
Surplus/(deficit)	**(206.74)**	(241.01)	**(198.68)**	(161.20)
Experience adjustments on plan liabilities (gains)/losses	**2.36**	—	**7.90**	—
Experience adjustments on plan assets	**(2.74)**	—	**N.A**	N.A

Since Accounting Standard 15 (revised) on Employee Benefits was adopted from 1st January 2007, disclosures given above are only for current year and previous period.

(h) The estimate of future salary increase, considered in acturial valuation, takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employee market.

(i) The Company expects to contribute Rs. 85.20 lacs to gratuity fund in the year 2009-2010.

(j) The amounts provided for defined contribution plans are as follows:

(Rs in Lacs)

Particulars	**12 months (2008-09)**	15 months (2007-08)
Provident Fund	**53.04**	58.02
Employees' State Insurance (ESI)	**10.52**	15.13
Superannuation Fund	**34.52**	32.72
Total	**98.08**	105.87

6. The Corporate Debt Restructuring (CDR) Empowered Group vide its letter dated 29th June, 2009 has approved the loan restructuring scheme for the Company, the salient features of which are as follows:

a) Cut off date for implementation: 30th April, 2009

b) Interest rate on working capital facilities from banks has been reset as follows:-

(i) State Bank of India(SBI) – at SBI PLR

(ii) Other banks - 12.25% p.a.

c) Interest rate on term loans from banks has been reset at follows :-

(i) From SBI - 1% below SBI PLR

(ii) From Other banks - 11.25% p.a.

d) Conversion of irregular portion of working capital limit into Working Capital Term Loan of Rs 1638 lacs (after adjusting Rs 750 lacs to be deposited upfront by the Company) and repayable in 20 quarterly installments commencing from June 2010 and ending in March 2015.

e) Repayment schedule of the existing term loans, which has been reset, would start from June 2010 and end in March 2015. However, in case of certain Funded Interest Term Loans, repayment will commence from June 2013 and end in March 2015.

f) Lenders will continue to have the rights to recompense on the sacrifices being made over and above the amount of recompense quantified at Rs 3220 lacs by the CDR- Empower Group vide its letter dated 7th May 2008. Of the above account, the Company has paid Rs 200 lacs against such demand and charged the same in profit and loss account during the year.

The Company is in the process of complying with various terms as stipulated in the revised restructuring arrangement. Based on the revised the repayment schedule, there is no amount repayable by the Company in 2009-10. Further, default made by the Company in 2008-09 on account of repayment of term loans has been regularised due to above re-schedulement.

SCHEDULE 22 *(Contd.)*

7. During the year, the Company's bankers have revised the interest rate applicable to the Company with effect from 1st April 2007 at SBI's PLR as compared to 1.75% below SBI's PLR and non-interest bearing FITL have been converted into interest bearing FITL. The Company has accounted for Rs 570 lacs towards additional interest for the period 1st April, 2007 to 31st March, 2008 based on confirmation received from its bankers, out of which Rs 285 lacs has been already paid by the Company.

8. The Company had issued 6,500,000 convertible equity warrants in previous period to its promoter group companies on preferential basis at a resultant price of Rs 70 per share (Face value - Rs 5 each). Each warrant is convertible into one equity share at the option of warrant holders within 15th September 2009 subject to receipt of full consideration. The Company had received application money on these warrants in previous period.

9. During the year, the Company has made Investments of Rs 1994.25 lacs in its wholly owned subsidiary company and has also incurred capital expenditure (including capital advances) on various projects, in excess of the normal capex approved under Corporate Debt Restructuring (CDR) Scheme, which are pending approval of the monitoring committee of the lenders in terms of the Financial Restructuring Scheme as approved by the CDR Empowered Group in earlier years.

10. Investments in the Equity Shares of Ispat Industries Limited (IIL) have been pledged with the lenders of IIL as collateral security against financial facilities provided by the lenders to IIL.

11. Details of equity shares pledged by the promoter or persons forming part of the promoter group ('Promoter Group') of the Company in compliance to Corporate Debt Restructuring Scheme as on the balance sheet date are as follows :

Total Number of Equity shares held by the Promoter Group	29,816,736
Total Number of Equity shares pledged by the Promoter Group	14,604,790
Percentage of total shares pledged to total shareholding of the Promoter Group	48.98
Percentage of total shares pledged to total outstanding shares of the Company	22.72

12. (a) The company has only one business segment i.e. Ferro Alloys and thus no further disclosures are required in accordance with Accounting Standard 17 notified by Companies (Accounting Standards) Rules, 2006 (as amended) of the Companies Act, 1956.

(b) Geographical Segments

(Rs. in Lacs)

Particulars	**2008-09 (12 months)**	2007-08 (15 months)
Domestic Revenues (Net of Excise Duty)	**14398.90**	12570.87
Export Revenues (Including Export Benefits)	**49474.53**	40514.75
Total	**63873.43**	53085.62

The Company has common fixed assets in India for producing goods for domestic and overseas markets. Hence, separate figures for fixed assets / additions to fixed assets cannot be furnished. The year end balance of overseas debtors is Rs 651.46 lacs (Rs 163.20 lacs)

13. In terms of Accounting Standard 22, net deferred tax liability of Rs 458.72 lacs has been recognized in the accounts up to 31st March, 2009.

The break-up of major components of such Deferred Tax (liability) / asset is as follows:

(Rs. in Lacs)

Components of Deferred Tax Assets/ (Liability)	**As at 31st March, 2009**	As at 31st March, 2008
Unabsorbed depreciation	—	907.67
Timing difference on depreciable assets	**(1849.99)**	(2463.66)
Timing difference due to disallowance under section 43B of the Income Tax Act, 1961	**1235.54**	1379.52
Others	**155.73**	232.34
Total	**(458.72)**	**55.87**

14. (a) In terms of an amendment in the Income Tax Act, 1961, deferred tax charge debited to profit and loss account is not to be considered for the purpose of computation of Minimum Alternate Tax (MAT) with retrospective effect from 1st April, 2001. Because of the above, the Company has accounted for Rs 134.09 lacs towards additional tax expenses relating to the financial years 2005-06 and 2006-07, and charged to profit and loss account as current tax. However, the equivalent amount has also been considered as MAT credit entitlement in the accounts.

SCHEDULE 22 *(Contd.)*

(b) The Company has recognized MAT Credit Entitlement of Rs 795.92 lacs (Including Rs 625.00 lacs recognized upto 31st March 2008) in terms of section 115JAA of the Income Tax Act, 1961. There is carried forward unabsorbed depreciation as at the Balance Sheet date, however based on the future profitability projections, the Company is certain that there would be sufficient taxable income in the future, to claim the above tax credit.

15. (a) Details of remuneration paid to the whole time director:

(Rs. in Lacs)

Particulars	**2008-09 (12 months)**	2007-08 (15 months)
i) Salary	**141.98**	137.72
ii) Perquisites	**18.05**	13.13
iii) Contribution to Provident and other funds*	**19.43**	17.94
	179.46	168.79

* As the liability for gratuity and leave encashment is provided on actuarial basis for the Company as a whole, the amount pertaining to directors is not ascertainable and therefore not included in above.

(b) The Company has obtained the approval of its shareholders for the above remuneration paid to the whole time director through postal ballot in May 2009. However, the amount so paid is in excess of the limits prescribed under sections 198 & 309 of the Companies Act, 1956 by Rs.56.80 lacs, for which the company has made an application to the Central Government for necessary approval.

(c) During the year, the Company has written back Rs 17.00 lacs payable to the whole time director towards salary based on the confirmation received from such director.

16. Basis for calculation of Basic and Diluted Earning per Share is as follows:

Particulars		**2008-09 (12 months)**	2007-08 (15 months)
Present Weighted Average Equity Shares	Nos.	**64290411**	62157715
Equivalent Weighted Average Equity	Nos.	**700000**	92763
Shares to be allotted against share warrant			
Potential weighted Average Equity Shares	Nos.	**64990411**	62250478
Net Profit After Tax	Rs. in Lacs	**93.59**	3329.11
Nominal Value of each Shares of Rs 5/-			
Earning Per Share	Basis (Rs)	**0.15**	5.36
	Diluted (Rs)	**0.14**	5.35

17. As per the requirement of Accounting Standard – 29 notified by Companies (Accounting Standards) Rules, 2006 (as amended) of the Companies Act, 1956., the management has estimated future expenses on site restoration at mines on best judgment basis and due provision thereof has been made in the accounts. The movement of such provision is as follows:

(Rs in Lacs)

Particulars	Balance as at 1st April, 2008	Movement during the year	**Balance as at 31st March, 2009**
Provision for site restoration expenses	18.00	—	**18.00**

SCHEDULE 22 *(Contd.)*

18. Purchases of Raw Materials are inclusive of the following costs incurred for mining activities.

(Rs. in Lacs)

Nature of Expenses	2008-09 (12 months)	2007-08 (15 months)
Salaries, Wages, Bonus etc.	**148.04**	166.64
Contribution to provident and other funds	**5.20**	4.61
Excavation and Peripheral development cost	**1638.49**	1921.41
Stores and other consumables	**1.20**	6.76
Royalty and Cess	**2182.44**	1345.73
Power & Fuel	**44.34**	53.99
Repair & Maintenance - Plant and Machinery	**19.77**	34.04
Rates & Taxes	**0.26**	0.24
Rent & Hire Charges	**169.76**	187.86
Insurance Charges	**0.05**	0.52
Bank Charges	**0.14**	0.11
Traveling Expenses	**13.89**	8.24
Miscellaneous expenses	**104.70**	138.68

19. Raw Material stock lying with a processor for briquetting was periodically physically verified by a firm of Chartered Accountants during the year and 21,129 MT (49,227 MT) was found to be short because of the process loss being higher than the agreed norms. While the above quantity has been charged to raw material consumption, the cost thereof amounting to Rs 585.72 lacs (Rs 853.09 lacs) has been recovered from the party and thus such loss has no impact on the Company's loss for the year.

20. Raw material consumption includes Rs 1666.06 lacs being the value of raw material inventory written down during the year, in line with Accounting Standard - 2 'Valuation of Inventories', notified by the Companies (Accounting Standards) Rules, 2006 (as amended). The Company had procured various inputs in line with its planned production programme. However, ferro chrome prices have since fallen significantly due to severe global economic meltdown and recessionary conditions in the ferro alloy industry. The value of raw material inventories has been written down to consider them at their current net realisable value.

21. The Company has discarded a Diesel Generating Set and Spares thereof valuing Rs 2087.55 lacs (written down value including revaluation of Rs 199.70 lacs) and the estimated loss of Rs 1287.85 lacs likely to arise thereof, has been charged to Profit & Loss account. The net estimated realisable value of Rs 600 lacs is included in the inventory of “Stores, Spare & Consumables” in Schedule 8. Further, advance received against the sale of above Diesel Generating Set appearing under the head “Advance from Customers” in Schedule 13 has not been credited to “Rupee Term Loan Account” as stipulated by the Company's Bankers.

22. The supply of raw materials against advances of Rs. 1044.00 lacs to various parties is pending beyond the stipulated time as per the respective purchase orders. The management is following up the matter and expects to recover/adjust such advances in the near future. The company has since received Rs 309.00 lacs against the above advances.

23. The break up of prior period items debited in Profit and Loss Account is as follows :-

Rs in Lacs

Nature of Expenses	2008-09 (12 months)	2007-08 (15 months)
Expenditure		
Loss on forward exchange contracts	**418.00**	—
Commission on Sales (Other than sole selling agent)	**26.54**	—
Repairs & Maintenance - Plant & Machinery	**—**	12.52
Rent & Hire Charges	**1.90**	—
Contract Labour Charges	**2.21**	8.34
Miscellaneous Expenses	**—**	16.01
Interest & Finance Charges	**—**	26.02
Sub Total (A)	**448.65**	62.89
Income		
Export Incentive	**52.16**	—
Miscellaneous Receipts	**34.66**	1.14
Sub Total (B)	**86.82**	1.14
Net Prior Period Items	**361.83**	61.75

SCHEDULE 22 *(Contd.)*

24. (a) In view of the announcement made by The Institute of Chartered Accountants of India (ICAI) on 'Accounting for Derivatives' the Company has provided for losses amounting to Rs 856.77 lacs in respect of all outstanding derivative contracts at the balance sheet date by marking them to market in line with the principle of prudence.

The Derivative contracts for hedging in respect of "Option Structures" USD 318.70 lacs are outstanding at the balance sheet date.

b) The Company has the following un-hedged exposures in various foreign currencies as at the period end:

(Rs in Lacs)

Sr. No.	Particulars	As at 31st March, 2009	As at 31st March, 2008
(i)	Advances	**776.86**	156.14
(ii)	Cash and Bank Balances	—	2.66
(iii)	Trade Payables and Advances from customers	**8482.62**	2607.82
(iv)	Borrowings	**3154.81**	1166.71
(v)	Investments in Subsidiary Company	**1994.25**	—

25. The financial results for the year have been adversely affected due to significant depreciation in the value of Indian Rupee against various foreign currencies owing to abnormal financial conditions prevailing globally. The resultant impact on the loss of the Company for the year is Rs 6075.59 lacs.

26. Related Party Disclosures

(a) Names of the related parties :

Subsidiary Company	:	Milton Holdings Limited
Associate Company	:	Balasore Energy Limited
Key Management Personnel	:	Mr. Pramod Mittal Mr. V K Mittal Mr. R.K Jena Mr L. K. Poddar (ceased to be related party with effect from 22nd January, 2009)
Enterprises over which Key Management Personnel / Shareholders / Relatives have significant influence*	:	Ispat Industries Limited Global Steel Holdings Limited Gontermann Peipers (I) Limited Mudra Ispat Limited Goldline Traccom Private Limited Ushaditya Trading Private Limited Ispat Holdings Private Limited Mita Holdings Private Limited Denro Holdings Private Limited Kartik Credit Private Limited Navdisha Real Estate Private Limited Shakti Chrome Limited

* The parties stated above are related parties in the broader sense of the term and are included for making the financial statements more transparent.

SCHEDULE 22 *(Contd.)*

(b) Related Party Disclosures :

(Rs in Lacs)

Nature of Transactions / Name of the Related Parties	Subsidiary Company	Associate Company	Key Management Personnel and their Relatives	Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Total
Unspent Liabilities no longer required write back					
Ispat Industries Ltd				**161.96** (-)	**161.96** (-)
Mr. R K Jena			**17.00** (-)		**17.00** (-)
Interest received					
Shakti Chrome Limited				**113.72** (16.81)	**113.72** (16.81)
Mudra Ispat Limited				**10.71** (10.71)	**10.71** (10.71)
Investments made during the year					
Milton Holdings Limited	1995.24 (-)				1995.24 (-)
Balasore Energy Limited		**1.70** (-)			**1.70** (-)
Managerial Remuneration					
Mr. R.K Jena			**179.46** (168.79)		**179.46** (168.79)
Loan Repaid					
Gontermann Peipers (India) Limited				**(-)** (22.00)	**(-)** (22.00)
Loans Given					
Shakti Chrome Limited				**650.00** (350.00)	**650.00** (350.00)
Process Loss Recovered					
Shakti Chrome Limited				**585.72** (853.09)	**585.72** (853.09)
Processing Charges Paid					
Shakti Chrome Limited				**299.52** (370.10)	**299.52** (370.10)
Rent Paid					
Navdisha Real Estate Private Limited				**60.00** (36.50)	**60.00** (36.50)
Provision for Doubtful Debts / advances					
Global Steel Holdings Ltd				**116.94** (-)	**116.94** (-)
Issue of Equity Shares / Equity Warrants					
Goldline Tracom Private Limited				— (33.00)	— (33.00)
Ushaditya Trading Private Limited				— (168.55)	— (168.55)
Ispat Holdings Private Limited				— (142.02)	— (142.02)
Mita Holdings Private Limited				— (5.18)	— (5.18)
Denro Holdings Private Limited				— (245.00)	— (245.00)
Kartik Credit Private Limited				— (245.00)	— (245.00)
Guarantees Given (On behalf)					
Ispat Industries Limited				**49.15** (142.01)	**49.15** (142.01)
Guarantees Obtained					
Mr. Pramod Mittal			**180.00** (180.00)		**180.00** (180.00)
Mr. V K Mittal			**1786.00** (1786.00)		**1786.00** (1786.00)
Balances Outstanding as at year end – Credit Balance					
Ispat Industries Limited				— (161.96)	— (161.96)
Mr. R K Jena			**9.98** (20.07)		**9.98** (20.07)
Denro Holding PrivateLimited				**245.00** (245.00)	**245.00** (245.00)
Kartik Credit Private Limited				**245.00** (245.00)	**245.00** (245.00)
Balances Outstanding as at year end – Debit Balance					
Global Steel Holdings Ltd				**(—)** (96.94)	**(—)** (96.94)
Mudra Ispat Limited				**162.23** (151.52)	**162.23** (151.52)
Shakti Chrome Limited				**1638.82** (413.95)	**1638.82** (413.95)
Navdisha Real Estate Private Limited				**44.00** (44.00)	**44.00** (44.00)
Balasore Energy Limited		**2.33** (-)			**2.33** (-)

SCHEDULE 22 *(Contd.)*

27. Excise Duty & Cess on stocks represents differential excise duty and cess on opening and closing stock of Finished Goods and processable scrap

28. The Company has decided to continue with the existing accounting policy of foreign currency transactions and not to exercise the option of deferment of exchange difference on foreign currency monetary items granted by the Companies (Accounting Standard) Amendment rules, 2009 issued by the Ministry of Corporate Affairs.

29. Information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 :

(i) Quantitative information of goods manufactured/traded.

(A) Installed Capacity and Production:

	Annual Installed Capacity (MT) (b) (on 12 months basis)	Production (MT) 2008-09 (12 months)	2007-08 (15 months)
Silicon & Ferro Alloys	100000 (100000)	**88846**	112446
Manganese Ore	NA	**2994**	7560

(a) Licensed capacity is not applicable as the industry is de-licensed

(b) As certified by the management based on interchangeability of products

(B) Details of Opening Stock, Purchases, Sales & Closing Stock

Class of Product	Opening Stock *		Closing Stock *		Purchases (Traded Goods)		Sales **	
	Quantity MT	Value Rs in Lacs	Quantity MT	Value Rs in Lacs	Quantity MT	Value Rs in Lacs	Quantity MT	Value Rs in Lacs
Silicon & Ferro Alloys	**1648**	**510.80**	**2099**	**766.17**	**10358**	**3541.48**	**98753**	**63480.93**
	(841)	(176.98)	(1648)	(510.80)	(—)	(—)	(111639)	(52603.44)
Manganese Ore	**1719**	**52.45**	**1275**	**17.70**	**—**	**—**	**3438**	**305.50**
	(—)	(—)	(1719)	(52.45)	(—)	(—)	(5841)	(389.43)

* After adjustment of Shortage / Excess

** Including Traded Goods

(Rs in lacs)

	2008-09 (12 months)	2007-08 (15 months)
(ii) CIF Value of Imports		
Raw Materials	**7779.88**	4149.49
Stores and Spares	**346.23**	0.27
(iii) Expenditure in foreign currency (on actual remittance basis)		
Travelling	**25.35**	27.70
Others	**1232.55**	597.73
(iv) Earning in foreign currency (on accrual basis)		
FOB Value of Exports	**47935.49**	37481.86

SCHEDULE 22 *(Contd.)*

(v) Details of raw materials consumed (excluding those used in intermediate product)

	2008-09 (12 months)		2007-08 (15 months)	
	Quantity MT	**Rs. in Lacs**	Quantity MT	Rs. in Lacs
Quartz	**29701**	**179.03**	40147	230.25
Coal and Coke etc.	**60226**	**10398.48**	67400	7183.59
Carbon Paste	**1454**	**440.10**	1820	454.13
Chrome Ore	**278392**	**15307.02**	331935	11820.77
Others (Including handling charges)*		**2992.24**		1139.45
Total		**29316.87**		20828.19

* Includes Rs 1666.06 lacs debited on account of reduction in value of raw materials stock in terms of AS- 2 (Refer Note No. 20)

(vi) Break-up of consumption of raw materials and stores, spares & consumables (including items debited to other heads of expenses, unserviceable and / or damaged / obsolete items written down and / or written off)

Particulars	**Raw Materials**		**Stores, Spares & Consumables ***	
	Rs. In lacs	**%**	**Rs. In lacs**	**%**
Indigenous	**22268.90** (16498.84)	**75.95** (79.21)	**960.54** (1591.56)	**99.68** (100.00)
Imported	**7047.97** (4329.35)	**24.05** (20.79)	**3.12** (0.18)	**0.32** (0.00)
Total	**29316.87** (20828.19)	**100.00** (100.00)	**963.66** (1591.74)	**100.00** (100.00)

* Includes Rs 386.90 lacs (Rs 972.25 lacs) charged to other heads of expenses

(vii) Remittances (Net of Tax) in Foreign Currency on account of Dividend

	As at 31st March, 2009	As at 31st March, 2008
a) No. of non resident shareholders	**1426**	1451
b) No. of Equity Shares Held	**3866768**	4040802
c) Amount remitted as dividend	**Nil**	Nil

30. Previous period's figures including those given in brackets have been regrouped / rearranged where necessary to conform to this year's classification. Further, the current year's figures being for twelve months are not comparable with previous period's figure, which were for fifteen months.

Signatories to Schedules 1 to 22

As per our Report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per R. K. Agrawal
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 24th July, 2009

For and on behalf of Board of Directors

R K Jena
Managing Director

C R Pradhan
Director - Operations

Trilochan Sharma
GM & Company Secretary

M Trivedi
S Mohapatra
S K Pal
A K Bhattacharyya
S K Majumdar
K P Khandelwal
R N Pandey
Directors

BALANCE SHEET ABSTRACT AND GENERAL BUSINESS PROFILE AS AT & FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2009

1. Registration Details

Registration No. (CIN) :	L27101OR1984PLC001354	State Code	15
Balance Sheet Date	31.03.2009		

2. Capital Raised during the period (Rs. in Lacs)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

3. Position of Mobilisation and Deployment of Funds (Rs. in Lacs)

Total Liabilities	44606.72	Total Assets	44606.72
Sources of Funds		**Application of Funds**	
Paid-up Capital	3366.38*	Net Fixed Assets	38677.21
Reserves & Surplus	20806.03	Investments	2092.54
Secured Loans	17697.74	Net Current Assets	3836.97
Unsecured Loans	1787.85		
Application Money against Equity Warrants	490.00		
Deferred Tax Liability	(458.72)		

* includes Rs. 151.86 lacs on Forfeited Shares

4. Performance of Company (Rs. in Lacs)

Total Income	64997.05
Total Expenditure	63927.07
Prior Period Items	361.83
Profit Before Tax	708.15
Profit After Tax	93.59
Earnings per Share in (Rs.)	
- Basic	0.15
- Diluted	0.14
Dividend Rate	NIL

5. Generic Names of Three Principal Products / Services of the Company (as per monetary terms)

Item Code No. (ITC) Code	Product Description
72023000	Ferro-Silico-Manganese
72024100	Ferro-Chromium containing by Weight more than 4% of Carbon
72021100	Ferro-Manganese containing by Weight more than 2% of Carbon

For and on behalf of Board of Directors

R K Jena
Managing Director

C R Pradhan
Director - Operations

Trilochan Sharma
GM & Company Secretary

M Trivedi
S Mohapatra
S K Pal
A K Bhattacharyya
S K Majumdar
K P Khandelwal
R N Pandey
Directors

Kolkata
24th July, 2009

AUDITORS' REPORT
THE BOARD OF DIRECTORS
BALASORE ALLOYS LIMITED

1. We have audited the attached consolidated balance sheet of Balasore Alloys Limited, its subsidiary and associate together referred as “the Group” as at 31st March 2009, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Balasore Alloys Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We report that the consolidated financial statements have been prepared by the Balasore Alloys Limited's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements and Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).

4. We further report that we did not audit the financial statements of Milton Holdings Limited, a subsidiary, whose financial statements reflect total assets of Rs.2274.10 lacs as at 31st March 2009, the total loss of Rs. 3.68 lacs and cash flows amounting to Rs.277.77 lacs for the year then ended. We also did not audit the financial statement of Balasore Energy Limited, an associate Company, whose the share of losses attributable to the Group during the year is Rs 0.85 lacs. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the reports of other auditors

5. Without qualifying our opinion, attention is drawn to Note No. 15(b) on Schedule 22 regarding excess remuneration of Rs 56.80 lacs paid to the whole time director, which is pending approval of the Central Government;

6. *Attention is drawn to the following Notes on Schedule 22:*

   (a) *Note No 22 regarding certain advances of Rs. 735.00 lacs against supply of raw materials which are pending beyond the stipulated delivery schedules. We are unable to opine on the recoverability/adjustment of these advances through supply of such materials and thus its consequent impact, if any, on the Company's profit.*

   (b) *Note No 14(b) regarding recognition of Minimum Alternate Tax (MAT) Credit Entitlement of Rs 795.92 lacs based on the future profitability projections made by the management. However, we are unable to express any opinion on the above projections and their consequent impact, if any, on the Company's profit.*

   Without considering item 6(a) above, whose impact, if any, is presently not ascertainable, had the impact of 6(b) above been considered, there would be a net loss of Rs 706.86 lacs for the year as against the reported net profit of Rs 89.06 lacs and the Profit and Loss Account Credit balance would have been Rs 8778.85 lacs as against the reported balance of Rs 9574.77 lacs.

7. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, *subject to the effect of matters contained in para 6 above* we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated balance sheet, of the state of affairs of the the Group as at 31st March 2009**;**

   (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and

   (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & CO.
Chartered Accountants
per R. K. AGRAWAL
Partner
Membership No. 16667

22 Camac Street
Block 'C', 3rd Floor
Kolkata700016.
Date : 24th July, 2009

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009

		Schedules	(Rs.in Lacs) As at 31st March, 2009
A.	**SOURCES OF FUNDS**		
	SHAREHOLDERS' FUNDS		
a)	Share Capital	1	**3,366.38**
b)	Application Money towards Equity Warrants (Refer Note No. 8 on Schedule 22)		**490.00**
c)	Reserves & Surplus	2	**21,081.49**
			24,937.87
	LOAN FUNDS		
a)	Secured Loans	3	**17,697.74**
b)	Unsecured Loans	4	**1,787.85**
			19,485.59
	DEFERRED TAX LIABILITY (NET)	7	**458.72**
	TOTAL		**44,882.18**
B.	**APPLICATION OF FUNDS**		
	FIXED ASSETS		
a)	Gross Block	5	**52,717.86**
b)	Less : Accumulated Depreciation/Amortisation		**18,799.38**
c)	Net Block		**33,918.48**
d)	Capital Work in Progress		**7,030.61**
			40,949.09
	INVESTMENTS	6	**97.44**
	CURRENT ASSETS, LOANS & ADVANCES		
a)	Inventories	8	**14,099.68**
b)	Sundry Debtors	9	**1,176.27**
c)	Cash & Bank Balances	10	**2,086.16**
d)	Other Current Assets	11	**846.54**
e)	Loans & Advances	12	**11,133.31**
			29,341.96
	Less: CURRENT LIABILITIES & PROVISIONS		
a)	Current Liabilities	13	**25,046.42**
b)	Provisions	14	**459.89**
			25,506.31
	Net Current Assets		**3,835.65**
	TOTAL		**44,882.18**
	Significant Accounting Policies & Notes on Accounts	22	

The schedules referred to above form an integral part of the Consolidated Balance Sheet.

As per our Report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per R. K. Agrawal
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 24th July, 2009

For and on behalf of Board of Directors

R K Jena
Managing Director

C R Pradhan
Director - Operations

Trilochan Sharma
GM & Company Secretary

M Trivedi
S Mohapatra
S K Pal
A K Bhattacharyya
S K Majumdar
K P Khandelwal
R N Pandey
Directors

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH , 2009

	Schedules		(Rs.in Lacs) 2008-09
INCOME			
Sales (Gross)	15		**65,689.46**
Less : Excise Duty			**1,816.03**
			63,873.43
Other Income	16		**1,123.63**
Total			**64,997.06**
EXPENDITURE			
(Increase) / Decrease in Stocks	17		**(764.92)**
Excise Duty & Cess on Stocks (Refer Note No. 27 on Schedule 22)			**24.69**
Raw Materials Consumed	18		**29,316.87**
Purchases of Finished Goods			**3,541.48**
Personnel Cost	19		**1,696.86**
Power and Fuel			**10,001.73**
Manufacturing, Selling and Administrative Expenses	20		**14,470.37**
Interest & Finance Charges	21		**4,458.29**
Depreciation / Amortisation		**2,538.51**	
Less: Transferred from General Reserve		**1,353.12**	**1,185.39**
Total			**63,930.76**
Profit before Prior Period Items & Taxes			**1,066.30**
Less : Prior Period Items (Net) (Refer Note No 23 on Schedule 22)			**361.83**
Profit before Taxes			**704.47**
Provisions for Taxes			
– Current Tax		**231.77**	
Less : MAT Credit Entitlement (Refer Note No 14 on Schedule 22)		**170.92**	**60.85**
– Deferred tax charge			**514.59**
– Wealth Tax			**0.43**
– Fringe Benefit tax			**38.69**
Profit after Taxes			**89.91**
Less : Share of Loss of Associate Company			**0.85**
Net Profit			**89.06**
Profit brought forward (Refer Note No 29 on Schedule 22)			**9,485.71**
Profit carried to the Balance Sheet			**9,574.77**
Earning per share [Nominal value of shares - Rs 5/-]			
– Basic (Rs)			**0.14**
– Diluted (Rs)			**0.14**
(Refer Note No.16 on Schedule 22)			
Significant Accounting Policies & Notes on Accounts	22		

The schedules referred to above form an integral part of the Consolidated Profit & Loss Account.

As per our Report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per R. K. Agrawal
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

			(Rs in Lacs) 2008-2009
A.	**CASH FLOW FROM OPERATING ACTIVITIES:**		
	Net Profit before taxes		**704.47**
	Adjustments for :		
	Depreciation/Amortisation	**1,185.39**	
	Interest Income	**(610.42)**	
	Unspent Liability no longer required written back	**(405.20)**	
	(Gain)/Loss on Foreign Exchange Rate Fluctuation/ Forward Exchange Contract (net)	**6,075.59**	
	Provision for Diminition in value of quoted Investment written back	**107.18**	
	Irrecoverable debts , deposits & Advances written off	**33.45**	
	Provision for doubtful debts/advances	**116.94**	
	Loss on Sale/Discard of Fixed Assets (net)	**1,603.09**	
	Provision for doubtful debts/advances written back	**(5.00)**	
	Interest Expenses	**4,092.10**	**12,193.12**
	Operating Profit before working capital changes		**12,897.59**
	Movement in Working Capital for :		
	(Increase)/Decrease in Inventories	**(1,898.47)**	
	(Increase)/Decrease in Sundry Debtors	**(948.98)**	
	(Increase)/Decrease in Loans & Advances	**(1,767.71)**	
	Increase/(Decrease) in Current Liabilities	**3,693.42**	
	Increase/(Decrease) in Provisions	**8.43**	**(913.31)**
	Cash generated from Operations		**11,984.28**
	Direct Tax Paid		**(872.77)**
	Net Cash generated from Operating Activities		**11,111.51**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets	**(11,198.34)**	
	Acquisition of Investments (other than Subsidiary)	**(1.70)**	
	Sale of Fixed Assets	**1.77**	
	Proceed from disposal of Investments	**0.02**	
	Interest Received	**137.63**	
	Net cash used in investing activities		**(11,060.62)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Repayment of long term borrowings	**(3,555.37)**	
	Receipt of long term borrowings	**235.00**	
	Net movement in other borrowings	**5,981.25**	
	Interest Paid	**(3,421.34)**	
	Net cash used in financing activities		**(760.46)**
	Net decrease in cash & cash equivalents (A+B+C)		**(709.57)**
	Net Exchange Difference on Consolidation		279.99
	Cash & Cash equivalents as on 01.04.2008		**467.24**
	Cash & Cash equivalents as on 31.03.2009		**37.66***

* Represents cash & bank balances as reflected in Schedule 10 excluding Rs 2048.50 lacs being the balance of restricted Fixed Deposits

As per our attached Report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per R. K. Agrawal
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 24th July, 2009

For and on behalf of Board of Directors

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K P Khandelwal
R N Pandey
Directors

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

		(Rs.in Lacs) As at 31st March, 2009
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED		
200,000,000 Equity Shares of Rs.5 each		**10,000.00**
		10,000.00
ISSUED AND SUBSCRIBED		
64,290,411 Equity Shares of Rs 5 each, fully paid up		**3,214.52**
Add: Shares forfeited		**151.86**
(Amount originally paid up)		
		3,366.38

SCHEDULE 2		
RESERVES AND SURPLUS		
Capital Reserve		
Central Investment Subsidy		
Balance brought forward*		**41.96**
Securities Premium Account		
Balance brought forward*		**1,550.00**
Foreign Currency Translation Reserve		
Additions during the year		**279.99**
General Reserve		
Balance brought forward*	**11,789.32**	
Less: Transfer to depreciation account	**1,353.12**	
Adjustment towards discard/sale of fixed assets	**801.43**	**9,634.77**
(Refer Note No 1(iv)(c) on Schedule 22)		
Balance in Profit and Loss Account		**9,574.77**
		21,081.49

* Refer Note No 29 on Schedule 22

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

		(Rs.in Lacs)
		As at 31st March, 2009
SCHEDULE 3		
SECURED LOANS		
From Scheduled Banks		
Term Loans :		
Rupee Loans		**8,481.15**
(Refer Note Nos. 6 & 7 on schedule 22)		
Working Capital Facilities		
– In Rupees	**6,847.50**	
– In Foreign Currency	**2,022.91**	**8,870.41**
Interest Accrued & Due		**346.18**
		17,697.74

Notes

i) Term loans are secured by a first mortgage on the Company's immovable properties, both present and future, and / or by way of hypothecation of all the movable assets (save and except book debts) including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges in favour of the company's bankers on stocks for securing working capital requirements. The above term loans are further guaranteed by Mr. Pramod Mittal and Mr. V. K. Mittal, directors of the company who have also pledged a portion of their shareholding in the company with the bankers.

ii) Working capital facilities of Rs 7962.95 lacs are secured by hypothecation of the Company's stocks and book debts, and also by a second & subsequent charge on the immovable properties, both present & future. Further, working capital facilities of Rs 907.46 lacs are also secured against fixed deposits with bank.

iii) Secured Loans (Other than working capital facilities of Rs 907.46 lacs) are also secured by pledge of a part of the share holding of the promoters

iv) All the mortgages and charges created in favour of the Banks for Term and Other Loans rank pari passu inter se.

v) Term loans agregeting to Rs Nil are payable within one year. Refer Note No. 6 on Schedule 22

SCHEDULE 4	
UNSECURED LOANS	
From Bodies Corporate	
(Partly bearing interest)	**1,694.75**
Under Sales Tax Deferment Scheme	**75.01**
Interest Accrued & Due	**18.09**
	* **1,787.85**

* Includes amount falling due for payment within one year Rs 748.01 lacs

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

SCHEDULE 5

FIXED ASSETS

(Rs.in Lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK
	As at 01.04.2008	Additions	Deductions/ Adjustments	**As at 31.03.2009**	Up to 01.04.2008	For the year	On Deductions/ Adjustments	**Up to 31.03.2009**	**As at 31.03.2009**
Tangible Assets									
Lease Hold Land	137.22	–	–	**137.22**	15.61	1.52	–	**17.13**	**120.09**
Free Hold Land	415.55	225.53	–	**641.08**(e)	–	–	–	**–**	**641.08**
Mining Lease	17,382.14	–	–	**17,382.14**	2,261.93	695.29	–	**2,957.22**	**14,424.92**
Buildings	4,168.54	135.51	–	**4,304.05**	1,164.62	125.60	–	**1,290.22**	**3,013.83**
Plant & Machinery	30,209.81	5,007.65	6,183.53	**29,033.93**	15,813.59	1,656.82	3,401.67	**14,068.74**	**14,965.19**
Vehicles	116.32	–	3.07	**113.25**	69.50	4.85	0.83	**73.52**	**39.73**
Office Equipments, Furniture & Fixtures	499.35	58.61	6.01	**551.95**	342.71	33.72	4.59	**371.84**	**180.11**
Intangible Assets									
Mines Development	–	554.24	–	**554.24**(f)	–	20.71	–	**20.71**	**533.53**
Total	52,928.93(a)	5,981.54	6,192.61(b)	**52,717.86**	19,667.96	2,538.51	3,407.09	**18,799.38**	**33,918.48**
Capital work in progress	4,770.23	11,300.17	9,039.79(d)	7,030.61(c)	–	–	–	**–**	**7,030.61**
Grand Total	57,699.16	17,281.71	15,232.40	59,748.47	19,667.96	2,538.51	3,407.09	**18,799.38**	**40,949.09**

Notes

(a) Includes Rs 23,118.34 lacs capitalised on account of revaluation of fixed assets as on 31st December 2004 at net replacement cost basis.

(b) Represents assets sold/discarded during the year.

(c) Includes Capital Advances Rs 2792.12 lacs.

(d) Represents Rs 5981.54 capitalised under various heads, Rs 162.25 lacs, being the value of assets discarded and Rs 2896.00 lacs, being capital advances transferred to loans during the year.

(e) Includes land valuing Rs 141.05 lacs yet to be registered in the name of the Company.

(f) Represents cost of Net Present Value of Forest Restoration, Exploration cost etc.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs.in Lacs)

SCHEDULE 6

INVESTMENTS (Long Term)

	Nos	Face Value per Share /Unit (Rs.)		**As at 31st March, 2009**
A. GOVERNMENT SECURITIES (Unquoted, Trade)				
6 years National Savings Certificates (Deposited with Government Departments)				**0.73**
		(A)		**0.73**
B. IN ASSOCIATE COMPANY (Unquoted, Trade, Fully Paid-up)				
Equity Shares in Balasore Energy Limited	17000	10	**1.70**	
Less : Post Acquisition Loss			**0.85**	**0.85**
		(B)		**0.85**
C. OTHER INVESTMENTS-FULLY PAID-UP (Other than Trade)				
i) Unquoted				
Equity Shares in Elephanta Gases Limited	300000	10		**30.00**
Equity Shares in Ispat Finance Limited	116	10		**0.10**
Magnum units of SBI Mutual Fund	165000	10		**10.00**
				40.10
ii) Quoted				
Equity Shares in Ispat Industries Limited (Refer Note No 10 on Schedule 22)	453000	10		**293.15**
0.01% Cumulative Redeemable Preference Shares in Ispat Industries Limited	302000	10		**195.43**
Equity Shares of Ispat Profiles India Limited.	39950	10		**7.99**
				496.57
Less: Provision for diminution in the value of Investments				**(440.81)**
				55.76
		(C)		**95.86**
	Total	(A+B+C)		**97.44**
Aggregate value of investments				
Quoted				**55.76**
Unquoted				**41.68**
				97.44
Market Value of Quoted Investments				**55.76**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	(Rs.in Lacs) As at 31st March, 2009
SCHEDULE 7	
DEFERRED TAX ASSET/(LIABILITY)(NET)	
Balance brought forward (Refer Note No. 29 on Schedule 22)	55.87
Less: Deferred Tax Charge for the year	514.59
	# (458.72)
# Refer Note No. 13 on Schedule 22	
SCHEDULE 8	
INVENTORIES	
At lower of cost and net realisable value	
Stores, Spares & Consumables (Includes discarded fixed assets awaiting disposal Rs.901.50 lacs)	2,118.28
Raw Materials (Includes in transit Rs.1940.53 lacs) (Refer Note No. 20 & 21 on schedule 22)	10,299.09
Goods under process	92.51
Finished Goods	783.87
At estimated net realisable value	
Saleable scrap	805.93
	14,099.68
SCHEDULE 9	
SUNDRY DEBTORS	
(Unsecured)	
Debts outstanding for a period exceeding six months	
Considered Doubtful	11.83
Other Debts	
Considered Good	1,176.27
	1,188.10
Less: Provision for Doubtful Debts	11.83
	1,176.27
SCHEDULE 10	
CASH & BANK BALANCES	
Cash-on-hand	7.70
With Scheduled Banks on:	
– Current Account	29.91
– Fixed Deposit Account (Receipts lying with Banks as security against guarantees / letters of credit issued by them)	2,048.50
With Post Office on Savings Account	0.05
	2,086.16
SCHEDULE 11	
OTHER CURRENT ASSETS	
Interest Receivable	
Considered Good	846.54
Considered Doubtful	10.11
	856.65
Less: Provision for Doubtful Receivables	10.11
	# 846.54

Includes Rs 458.09 due for more than six months.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	(Rs.in Lacs) **As at 31st March, 2009**
SCHEDULE 12	
LOANS & ADVANCES	
(Unsecured, Considered Good except stated otherwise)	
Loans	
Considered Good	**4,727.00**
Considered Doubtful	**35.81**
Advances recoverable in cash or in kind or for value to be received or pending adjustments (Including loans to employees Rs.13.26 lacs)	
Considered Good	**2,103.94**
Considered Doubtful	**125.67**
Export Benefits Receivable	**502.61**
Balance with Central Excise, Sales Tax & other government Authorities	**1,378.47**
Advance income tax / Tax deducted at source (Net of provisions)	**386.86**
MAT Credit Entitlement	**795.92**
Security & Other Deposits	**1,238.51**
	11,294.79
Less: Provision for Doubtful Loans & Advances	**161.48**
	11,133.31

SCHEDULE 13	
CURRENT LIABILITIES	
Acceptances	**2,625.02**
Sundry Creditors for goods, services, expenses etc.	
a) Due to Micro and Small Enterprises (Refer Note No 4 on Schedule 22)	**70.45**
b) Due to Others (Including due to a Director Rs 9.98 lacs)	**17,314.21**
Other Liabilities	**403.56**
Temporary Book Overdraft from Banks	**152.09**
Advances from Customers	**4,478.08**
Interest accrued but not due on loans	**3.01**
	25,046.42

SCHEDULE 14	
PROVISIONS	
Retirement Benefits	
Gratuity	**206.74**
Superannuation	**34.52**
Leave Salary	**198.68**
Site Restoration	**18.00**
Fringe Benefit Tax (Net of Advances)	**1.95**
	459.89

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	(Rs.in Lacs) **2008-2009 (12 months)**
SCHEDULE 15	
SALES (Gross)	
Finished Goods	**64,961.76**
Saleable Scrap	**87.00**
Export Benefits	**640.70**
	65,689.46
SCHEDULE 16	
OTHER INCOME	
Interest on loans, deposits, etc (Gross) (Tax deducted at source Rs. 34.11 lacs)	**610.42**
Insurance claims	**9.33**
Unspent liabilities no longer required written back	**405.20**
Provision for doubtful Debts / Advances written back	**5.00**
Miscellaneous Receipts	**93.68**
	1,123.63
SCHEDULE 17	
(INCREASE) / DECREASE IN STOCKS	
Opening Stocks	
Goods under process	**127.44**
Finished goods	**563.25**
Saleable scrap	**226.70**
	917.39
Less : Closing Stocks	
Goods under process	**92.51**
Finished goods	**783.87**
Saleable scrap	**805.93**
	1,682.31
	(764.92)
SCHEDULE 18	
RAW MATERIALS CONSUMED	
Opening Stock	**9,858.20**
Add : Purchases (Net of sales, claims etc of Rs 585.72 lacs and including procurement & handling expenses)	* **29,757.76**
	39,615.96
Less : Closing Stock	**10,299.09**
	29,316.87

*Refer Note Nos. 19 & 20 on Schedule 22

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

(Rs.in Lacs)

SCHEDULE 19
PERSONNEL COST

		2008-2009 (12 months)
Salaries, Wages, Bonus, etc		1,296.11
Contribution to Provident, Gratuity & Other funds		143.18
Staff Welfare Expenses		96.16
Managerial Remuneration		161.41
(Refer Note No. 15(a) on schedule 22)		1,696.86

SCHEDULE 20
MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES

		2008-2009 (12 months)
Contract Labour Charges		308.38
Stores, Spares & Consumables		576.76
Repairs & Maintenance :		
Plant & Machinery	267.57	
Buildings	106.60	
Others	20.21	394.38
Packing and Carriage charges		2,141.71
(Net of Recoveries Rs 476.60 lacs)		
Commission on Sales (other than sole selling agent)		1,193.15
Rent and hire charges		67.73
Insurance		40.81
Rates and Taxes		22.17
Directors' sitting fees		6.85
Charity and Donations		18.06
Irrecoverable debts, deposits and advances written off	256.29	
Less : Adjusted against Provision	222.84	33.45
Provision for doubtful debts/advances		116.94
Auditors' Remuneration :		
As Auditors		
Audit Fees		22.50
Limited Reviews		11.25
Tax Audit Fees		6.00
In Other Capacity for Certification etc		3.80
Out of Pocket expenses		0.64
Loss on Sale / Discard of Fixed Assets		1,603.09
Loss on Foreign Exchange Fluctuation /Forward Exchange Contract (Net)		6,075.59
Legal & Professional Charges		487.26
Travelling and Conveyance		372.41
Postage & Communication Charges		48.77
Peripherial and Site Development Expenses		259.78
Provision for diminution in the value of Investments		107.18
Miscellaneous Expenses		551.71
		14,470.37

SCHEDULE 21
INTEREST & FINANCE CHARGES

		2008-2009 (12 months)
Interest to Banks:		
Term Loans	1,267.93	
Working Capital Facilities	1,401.83	
(Net of recoveries Rs 135.39 lacs)		
For Recompense (Refer Note Nos. 6 & 7 on Schedule 22)	770.00	3,439.76
Interest to Others on Loans, Deposits etc:		652.34
Bank Commission & Charges		366.19
		4,458.29

SCHEDULE FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE 22

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON CONSOLIDATED ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

(i) Principles of Consolidation

a) The Consolidated Financial Statements present the consolidated Accounts of Balasore Alloys Limited (BAL) and its following Subsidiary :

Name of the Subsidiary	Country of Incorporation	Proportion of Ownership/ Interest 31st March, 2009
Milton Holdings Limited (MHL)	Mauritius	**100 %**

In terms of Accounting Standard 21 notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended), no minority interest exists. MHL is into the business of mining and has not yet commenced commercial operations.

b) The financial statements of the Company and its subsidiary have been consolidated on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances, intra-group transactions and any unrealized profits.

c) In terms of Accounting Standard 23 “Accounting for investment in Associates in Consolidated Financial Statements” notified by the Companies (Accounting Standards) Rules, 2006 (as amended), Balasore Energy Limited (BEL), incorporated in India during the year, in which the Company holds 34% shares, is an associate company, and the proportionate share of BEL's profitability has been duly considered in these accounts.

d) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and are presented, to the extent possible, in the same manner as the Company's separate financial statements.

e) The financial statements of MHL have been prepared in accordance with Mauritius Accounting Standards. This subsidiary is not significant as compared to the Company's consolidated operations and hence, the impact thereof, if any, on account of any differences due to adoption of different Accounting Standards as stated above, in comparison to the Indian Generally Accepted Accounting Principles (IGAAP) is not material.

f) In translating the financial statements of the non-integral foreign Subsidiary for incorporation in the consolidated financial statements, the assets and liabilities, both monetary and non-monetary are translated at the closing rate; income and expense items are translated at average exchange rate; and all resulting exchange differences are accumulated in foreign currency translation reserve.

(ii) Basis of preparation of Accounts

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on accrual basis, except in respect of interest income on overdue bills and insurance & other claims / refunds, which due to uncertainty in realization, are accounted for on acceptance/actual receipt basis. The accounting policies have been consistently applied by the Company.

(iii) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates

(iv) Fixed Assets

a) Fixed Assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment, if any. The cost of acquisition comprises purchase price inclusive of duties (net of Cenvat), taxes, incidental expenses, erection/commissioning/trial run expenses and interest etc, up to the date the assets are ready for intended use.

SCHEDULE 22 (Contd.)

b) Expenditure incurred on development of mines subsequent to the allotment of their lease are capitalized as intangible assets.

c) In case of revaluation of fixed assets, the original cost as written up by the approved valuers is considered in the accounts and the differential amount is credited to revaluation reserve.

d) Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalized and depreciated over the residual life of the respective assets.

e) The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the assets. The estimated future cash flows considered for determining the value in use, are discounted to their present value at the weighted average cost of capital.

f) Assets awaiting disposal are valued at the lower of written down value and net realizable value and disclosed separately.

(v) Depreciation / Amortization

a) The classification of Plant & Machinery into continuous and non-continuous process is done as per the technical evaluation and depreciation thereon is provided accordingly.

b) Depreciation on fixed assets is provided on straight-line method at the rates specified in schedule XIV to the Companies Act, 1956 or the rates determined as per the useful lives of the respective assets, whichever is higher.

c) Depreciation on revalued assets is provided at the rates specified in Section 205(2) (b) of The Companies Act, 1956. However in case of fixed assets whose life is determined by the valuer to be less than their useful life under Section 205, depreciation is provided at the higher rate, to ensure the write off of these assets over their life determined by the valuer. Additional depreciation arising due to revaluation of fixed assets is adjusted against General Reserve since the surplus arising on revaluation had been transferred to General Reserve in the period 2004-05 as per Hon'ble High Court Order.

d) Leasehold land is amortised over the period of lease.

e) Mining lease is amortised over the lease period.

f) Mines Development expenditure are amortised over the balance period of respective leases.

g) Depreciation on Fixed Assets added/disposed off during the year is provided on prorate basis with reference to the date of addition/disposal.

h) In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over their remaining useful life.

(vi) Foreign Currency Transactions

a) **Initial Recognition:** Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

b) **Conversion:** Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

c) **Exchange Differences:** Exchange differences arising on the settlement / conversion of monetary items are recognized as income or expenses in the year in which they arises.

d) **Forward Exchange Contracts not intended for trading or speculation purpose:** The premium or discount arising at the inception of forward exchange contracts is amortized as expenses or income over the life of the respective contracts. Exchange differences on such contracts are recognized in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or expense for the year.

e) **Derivative Instruments:** In terms of the announcement made by the Institute of Chartered Accountants of India, the accounting for derivative contracts (other than those covered under Accounting Standard -11 “The Effects of Changes in Foreign Exchange Rates”) is done based on the “marked to market” on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored as a matter of prudence.

SCHEDULE 22 (Contd.)

(vii) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are valued at lower of cost and net realizable value on individual investment basis. Long term investments are valued at cost, unless there is an "other than temporary" decline in value thereof, in which case, adequate provision/write-off is made in the accounts.

(viii) Inventories

a) Raw materials, Stores, spares & consumables are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.

b) Goods under process and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials, labour cost and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

c) Obsolete/damaged stores, saleable dust, discarded fixed assets and saleable scrap are valued at estimated net realizable value.

d) Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale

(ix) Retirement and Other Employee Benefits

a. Retirement benefits in the form of Provident Fund, Superannuation Fund and Employee State Insurance are defined contribution schemes and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no obligations other than the contribution payable to the respective trusts.

b. Gratuity liability is a defined benefit obligation and is provided for on the basis of actuarial valuation on projected unit credit method made at the end of each financial year.

c. Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation, as per projected unit credit method.

d. Actuarial gains/losses are taken to profit and loss account and are not deferred.

(x) Borrowing Costs

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

(xi) Taxation

Tax expense comprises of current, deferred, fringe benefit tax and prior year tax expenses, if any (net of MAT credit entitlement).

Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has carry forward unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is virtual certainty backed by convincing evidence that such deferred tax assets can be realized against future taxable profits. Unrecognized deferred tax assets of earlier periods are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

SCHEDULE 22 (Contd.)

(xii) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods

Revenue from sale of goods is recognized on dispatch of goods to customers, which is incidental to transfer of significant risk and reward of ownership. Sales are net of returns, claims, discounts etc.

Interest

Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(xiii) Segment Reporting

The company has identified Ferro Alloys as its sole operating segment and the same has been treated as the primary segment. The company's secondary geographical segments have been identified based on location of customers and are demarcated into Indian & Overseas revenue earnings.

(xiv) Provision

A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

(xv) Earnings per Share

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(xvi) Excise duty & custom duty :

Excise duty is accounted for at the point of manufacture of goods and accordingly is considered for valuation of finished goods stock lying in the factories as on the balance sheet date. Similarly, customs duty on imported materials in transit / lying in bonded warehouse is accounted for at the time of import / bonding of materials.

(xvii) Cash and Cash equivalents

Cash and cash equivalents as indicated in the consolidated cash flow statement comprise cash at bank, cash on hand and short-term investments with original maturity of three months or less.

(xviii) Contingencies

Liabilities, which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of notes to the accounts.

2. Contingent liabilities not provided for in respect of :

(Rs.in Lacs)

	Particulars	As at 31st March, 2009
a)	Sales Tax matters under appeal (Amount paid under appeal Rs 207.98 lacs)	**280.22**
b)	Un-expired Bank Guarantees and Letters of Credit	**402.90**
c)	Bills discounted with Banks	**2295.47**
d)	Guarantee given by way of pledge of certain Investments as security (Refer Note No 10)	**49.15**
e)	Liabilities on account of dues under Orissa Rural Infrastructure and Socio Economic Development (ORISED) Act, 2004	**Amount unascertainable**

3. Estimated amount of Capital commitments (net of advances) Rs 5033.42 lacs.

SCHEDULE 22 (Contd.)

4. The amounts due to Micro, Small and Medium Enterprises as per MSMED Act, 2006 are as follows:

(Rs. in Lacs)

	Particulars	**As at 31st March, 2009**
a)	Principal Amount and Interest Due thereon remaining unpaid	70.45
b)	Amount of interest paid in terms of section 16 of the Micro Small and Medium Enterprise Development Act, 2006	—
c)	Amount of interest due and payable for the period of delay	6.08
d)	Amount of interest accrued and remaining unpaid as at the Balance Sheet Date	6.08
e)	Amount of further interest remaining due and payable in the succeeding year	9.96

5. Gratuity and other post retirement benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is entitled to Gratuity on terms not less favorable than the provisions of the Payment of Gratuity Act, 1972. The scheme is funded with Life Insurance Corporation of India in form of qualifying insurance policy.

The Company also extends benefit of compensated absences to the employees, whereby they are eligible to carry forward their entitlement of earned leave for encashment. This is an unfunded plan.

The following tables summaries the components of net benefit/ expense recognised in the profit and loss account and balance sheet for the respective plans.

(a) Expenses recognized in the profit and loss account for the year are as follows:

(Rs in Lacs)

Particulars	**Gratuity**	**Leave**
Current service cost	28.97	18.20
Interest cost on benefit obligation	23.46	12.78
Expected return on plan assets	(7.74)	—
Net actuarial (gains) / losses recognized in the period	19.84	17.13
Net benefit expense	**64.53**	**48.11**
Actual return on plan assets	10.48	—

(b) Net Liability recognized in the balance sheet as at 31st March, 2009 are as follows:-

(Rs in Lacs)

Particulars	**Gratuity**	**Leave**
Defined benefit obligation	352.01	198.68
Fair value of plan assets	145.27	—
Net liability	**206.74**	**198.68**

(c) Changes in the present value of the defined benefit obligation during the year are as follows:-

(Rs in Lacs)

Particulars	**Gratuity**	**Leave**
Opening defined benefit obligation	295.09	161.20
Interest cost	23.46	12.78
Current service cost	28.97	18.20
Benefit paid	(18.09)	(10.63)
Actuarial (gains) /losses on obligation	22.58	17.13
Closing defined benefit obligation	**352.01**	**198.68**

SCHEDULE 22 (Contd.)

(d) Changes in the fair value of plan assets with respect to gratuity during the year is as follows:

(Rs in Lacs)

Particulars	Gratuity
Opening fair value of plan assets	54.08
Expected return on plan assets	7.74
Contribution by the Company	98.80
Benefits paid	(18.09)
Actuarial gains	2.74
Closing fair value of plan assets	**145.27**

(e) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	Gratuity plan assets as at 31st March, 2009
Investments with insurer	100 %

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

(f) The principal assumptions used in determining gratuity and leave liability for the year are as shown below:

Particulars	Gratuity	Leave
Discount rate	7.75%	7.75%
Rate of increase in salary	10.00%	10.00%
Expected average remaining working live of the employees	17.58	17.42
Return on Plan Assets (Gratuity Scheme)	7.75%	Not Applicable
Mortality Table	Standard Table LIC (1994-1996)	

(g) Amounts for the current year are as follows:-

(Rs in Lacs)

Particulars	Gratuity	Leave
Defined benefit obligation	352.01	198.68
Fair value of plan assets	145.27	-
Surplus/(deficit)	(206.74)	(198.68)
Experience adjustments on plan liabilities (gains)/losses	2.36	7.90
Experience adjustments on plan assets	(2.74)	N.A

(h) The estimate of future salary increase, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employee market.

(i) The Company expects to contribute Rs. 85.20 lacs to gratuity fund in the year 2009-2010.

(j) The amounts provided for defined contribution plans are as follows:

(Rs in Lacs)

Particulars	(2008-09)
Provident Fund	53.04
Employees' State Insurance (ESI)	10.52
Superannuation Fund	34.52
Total	**98.08**

SCHEDULE 22 (Contd.)

6. The Corporate Debt Restructuring (CDR) Empowered Group vide its letter dated 29th June, 2009 has approved the loan restructuring scheme for the Company, the salient features of which are as follows:

a) Cut off date for implementation: 30th April, 2009

b) Interest rate on working capital facilities from banks has been reset as follows:-

(i) State Bank of India(SBI) - at SBI PLR

(ii) Other banks - 12.25% p.a.

c) Interest rate on term loans from banks has been reset at follows :-

(i) From SBI - 1% below SBI PLR

(ii) From Other banks - 11.25% p.a.

d) Conversion of irregular portion of working capital limit into Working Capital Term Loan of Rs 1638 lacs (after adjusting Rs 750 lacs to be deposited upfront by the Company) and repayable in 20 quarterly installments commencing from June 2010 and ending in March 2015.

e) Repayment schedule of the existing term loans, which has been reset, would start from June 2010 and end in March 2015. However, in case of certain Funded Interest Term Loans, repayment will commence from June 2013 and end in March 2015.

f) Lenders will continue to have the rights to recompense on the sacrifices being made over and above the amount of recompense quantified at Rs 3220 lacs by the CDR- Empower Group vide its letter dated 7th May 2008. Of the above account, the Company has paid Rs 200 lacs against such demand and charged the same in profit and loss account during the year.

The Company is in the process of complying with various terms as stipulated in the revised restructuring arrangement. Based on the revised the repayment schedule, there is no amount repayable by the Company in 2009-10. Further, default made by the Company in 2008-09 on account of repayment of term loans has been regularised due to above re-schedulement.

7. During the year, the Company's bankers have revised the interest rate applicable to the Company with effect from 1st April 2007 at SBI's PLR as compared to 1.75% below SBI's PLR and non-interest bearing FITL have been converted into interest bearing FITL. The Company has accounted for Rs 570 lacs towards additional interest for the period 1st April, 2007 to 31st March, 2008 based on confirmation received from its bankers, out of which Rs 285 lacs has been already paid by the Company.

8. The Company had issued 6,500,000 convertible equity warrants in previous period to its promoter group companies on preferential basis at a resultant price of Rs 70 per share (Face value - Rs 5 each). Each warrant is convertible into one equity share at the option of warrant holders within 15th September 2009 subject to receipt of full consideration. The Company had received application money on these warrants in previous period.

9. During the year, Balasore Alloys Limited has made Investments of Rs 1994.25 lacs in its wholly owned subsidiary company (which has been consolidated) and has also incurred capital expenditure (including capital advances) on various projects, in excess of the normal capex approved under Corporate Debt Restructuring (CDR) Scheme, which are pending approval of the monitoring committee of the lenders in terms of the Financial Restructuring Scheme as approved by the CDR Empowered Group in earlier years.

10. Investments in the Equity Shares of Ispat Industries Limited (IIL) have been pledged with the lenders of IIL as collateral security against financial facilities provided by the lenders to IIL.

11. Details of equity shares pledged by the promoter or persons forming part of the promoter group ('Promoter Group') of the Company in compliance to Corporate Debt Restructuring Scheme as on the balance sheet date are as follows :

Total Number of Equity shares held by the Promoter Group	29,816,736
Total Number of Equity shares pledged by the Promoter Group	14,604,790
Percentage of total shares pledged to total shareholding of the Promoter Group	48.98
Percentage of total shares pledged to total outstanding shares of the Company	22.72

SCHEDULE 22 (Contd.)

12. (a) The company has only one business segment i.e. Ferro Alloys and thus no further disclosures are required in accordance with Accounting Standard 17 notified by Companies (Accounting Standards) Rules, 2006 (as amended) of the Companies Act, 1956.

(b) Geographical Segments

(Rs. in Lacs)

Particulars	**2008-09**
Domestic Revenues (Net of Excise Duty)	14398.90
Export Revenues (Including Export Benefits)	49474.53
Total	**63873.43**

The Company has common fixed assets in India for producing goods for domestic and overseas markets. Hence, separate figures for fixed assets / additions to fixed assets cannot be furnished. The year end balance of overseas debtors is Rs 651.46 lacs. MHL has not yet commenced commercial operations and hence its assets located outside India are not disclosed separately.

13. In terms of Accounting Standard 22, net deferred tax liability of Rs 458.72 lacs has been recognized in the accounts up to 31st March, 2009.

The break-up of major components of such Deferred Tax Liability is as follows:

(Rs. in Lacs)

Components of Deferred Tax Liability/(Asset)	**As at 31st March, 2009**
Timing difference on depreciable assets	1849.99
Timing difference due to disallowance under section 43B of the Income Tax Act, 1961	(1235.54)
Others	(155.73)
Total	**458.72**

14. (a) In terms of an amendment in the Income Tax Act, 1961, deferred tax charge debited to profit and loss account is not to be considered for the purpose of computation of Minimum Alternate Tax (MAT) with retrospective effect from 1st April, 2001. Because of the above, the Company has accounted for Rs 134.09 lacs towards additional tax expenses relating to the financial years 2005-06 and 2006-07, and charged to profit and loss account as current tax. However, the equivalent amount has also been considered as MAT credit entitlement in the accounts.

(b) The Company has recognized MAT Credit Entitlement of Rs 795.92 lacs (Including Rs 625.00 lacs recognized upto 31st March 2008) in terms of section 115JAA of the Income Tax Act, 1961. There is carried forward unabsorbed depreciation as at the Balance Sheet date, however based on the future profitability projections, the Company is certain that there would be sufficient taxable income in the future, to claim the above tax credit.

15. (a) Details of remuneration paid to the whole time director:

(Rs. in Lacs)

Particulars	**2008-09**
i) Salary	141.98
ii) Perquisites	18.05
iii) Contribution to Provident and other funds*	19.43
	179.46

* As the liability for gratuity and leave encashment is provided on actuarial basis for the Company as a whole, the amount pertaining to directors is not ascertainable and therefore not included in above.

SCHEDULE 22 (Contd.)

(b) The Company has obtained the approval of its shareholders for the above remuneration paid to the whole time director through postal ballot in May 2009. However, the amount so paid is in excess of the limits prescribed under sections 198 & 309 of the Companies Act, 1956 by Rs 56.80 lacs, for which the company has made an application to the Central Government for necessary approval.

(c) During the year, the Company has written back Rs 17.00 lacs payable to the whole time director towards salary based on the confirmation received from such director.

16. Basis for calculation of Basic and Diluted Earning per Share is as follows:

Particulars		**2008-09**
Present Weighted Average Equity Shares	Nos.	64290411
Equivalent Weighted Average Equity Shares to be		
allotted against share warrant	Nos.	700000
Potential weighted Average Equity Shares	Nos.	64990411
Net Profit After Tax	Rs. in Lacs	89.06
Nominal Value of each Shares of Rs 5/-		
Earning Per Share	Basis (Rs)	0.14
	Diluted (Rs)	0.14

17. As per the requirement of Accounting Standard 29 notified by Companies (Accounting Standards) Rules, 2006 (as amended) of the Companies Act, 1956., the management has estimated future expenses on site restoration at mines on best judgment basis and due provision thereof has been made in the accounts. The movement of such provision is as follows:

(Rs in Lacs)

Particulars	**Balance as at 1st April, 2008**	**Movement during the year**	**Balance as at 31st March, 2009**
Provision for site restoration expenses	18.00	—	18.00

18. Purchases of Raw Materials are inclusive of the following costs incurred for mining activities.

(Rs. in Lacs)

Nature of Expenses	**2008-09**
Salaries, Wages, Bonus etc.	148.04
Contribution to provident and other funds	5.20
Excavation and Peripheral development cost	1638.49
Stores and other consumables	1.20
Royalty and Cess	2182.44
Power & Fuel	44.34
Repair & Maintenance - Plant and Machinery	19.77
Rates & Taxes	0.26
Rent & Hire Charges	169.76
Insurance Charges	0.05
Bank Charges	0.14
Traveling Expenses	13.89
Miscellaneous expenses	104.70

19. Raw Material stock lying with a processor for briquetting was periodically physically verified by a firm of Chartered Accountants during the year and 21,129 MT was found to be short because of the process loss being higher than the agreed norms. While the above quantity has been charged to raw material consumption, the cost thereof amounting to Rs 585.72 lacs has been recovered from the party and thus such loss has no impact on the Company's loss for the year.

SCHEDULE 22 (Contd.)

20. Raw material consumption includes Rs 1666.06 lacs being the value of raw material inventory written down during the year, in line with Accounting Standard - 2 'Valuation of Inventories', notified by the Companies (Accounting Standards) Rules, 2006 (as amended). The Company had procured various inputs in line with its planned production programme. However, ferro chrome prices have since fallen significantly due to severe global economic meltdown and recessionary conditions in the ferro alloy industry. The value of raw material inventories has been written down to consider them at their current net realisable value.

21. The Company has discarded a Diesel Generating Set and Spares thereof valuing Rs 2087.55 lacs (written down value including revaluation of Rs 199.70 lacs) and the estimated loss of Rs 1287.85 lacs likely to arise thereof, has been charged to Profit & Loss account. The net estimated realisable value of Rs 600 lacs is included in the inventory of “Stores, Spare & Consumables” in Schedule 8. Further, advance received against the sale of above Diesel Generating Set appearing under the head “Advance from Customers” in Schedule 13 has not been credited to “Rupee Term Loan Account” as stipulated by the Company's Bankers.

22. The supply of raw materials against advances of Rs. 1044.00 lacs to various parties is pending beyond the stipulated time as per the respective purchase orders. The management is following up the matter and expects to recover/adjust such advances in the near future. The company has since received Rs 309.00 lacs against the above advances.

23. The break up of prior period items debited in Profit and Loss Account is as follows :

(Rs in Lacs)

Nature of Expenses	**2008-09**
Expenditure	
Loss on forward exchange contracts	418.00
Commission on Sales (Other than sole selling agent)	26.54
Rent & Hire Charges	1.90
Contract Labour Charges	2.21
Sub Total (A)	**448.65**
Income	
Export Incentive	52.16
Miscellaneous Receipts	34.66
Sub Total (B)	**86.82**
Net Prior Period Items	**361.83**

24. (a) In view of the announcement made by The Institute of Chartered Accountants of India (ICAI) on 'Accounting for Derivatives' the Company has provided for losses amounting to Rs 856.77 lacs in respect of all outstanding derivative contracts at the balance sheet date by marking them to market in line with the principle of prudence.

The Derivative contracts for hedging in respect of “Option Structures” of USD 318.70 lacs are outstanding at the balance sheet date.

(b) The Company has the following un-hedged exposures in various foreign currencies as at the period end:

(Rs in Lacs)

Sr. No.	**Particulars**	**As at 31st March, 2009**
(i)	Advances	776.86
(ii)	Cash and Bank Balances	2.22
(iii)	Trade Payables and Advances from customers	8486.17
(iv)	Borrowings	3154.81
(v)	Capital Advances	2271.89

25. The financial results for the year have been adversely affected due to significant depreciation in the value of Indian Rupee against various foreign currencies owing to abnormal financial conditions prevailing globally. The resultant impact on the loss of the Company for the year is Rs 6075.59 lacs.

SCHEDULE 22 (Contd.)

26. Related Party Disclosures

(a) Names of the related parties :

Associate Company	:	Balasore Energy Limited
Key Management Personnel	:	Mr. Pramod Mittal Mr. V K Mittal Mr. R.K Jena Mr L. K. Poddar (ceased to be related party with effect from 22nd January, 2009)
Enterprises over which Key Management Personnel / Shareholders / Relatives have significant influence*	:	Ispat Industries Limited Global Steel Holdings Limited Gontermann Peipers (I) Limited Mudra Ispat Limited Denro Holding Private Limited Kartik Credit Private Limited Navdisha Real Estate Private Limited Shakti Chrome Limited

* The parties stated above are related parties in the broader sense of the term and are included for making the financial statements more transparent.

(b) Related Party Disclosures :

(Rs in Lacs)

Nature of Transactions / Name of the Related Parties	Associate Company	Key Management Personnel and their Relatives	Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Total
Unspent Liabilities no longer required write back				
Ispat Industries Ltd			161.96	161.96
Mr. R K Jena		17.00		17.00
Interest received				
Shakti Chrome Limited			113.72	113.72
Mudra Ispat Limited			10.71	10.71
Investments made during the year				
Balasore Energy Limited	1.70			1.70
Managerial Remuneration				
Mr. R.K Jena		179.46		179.46
Loans Given				
Shakti Chrome Limited			650.00	650.00
Process Loss Recovered				
Shakti Chrome Limited			585.72	585.72
Processing Charges Paid				
Shakti Chrome Limited			299.52	299.52
Rent Paid				
Navdisha Real Estate Private Limited			60.00	60.00

SCHEDULE 22 (Contd.)

Nature of Transactions / Name of the Related Parties	Associate Company	Key Management Personnel and their Relatives	Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Total
Provision for Doubtful Debts / advances				
Global Steel Holdings Ltd			116.94	116.94
Guarantees Given (on behalf)				
Ispat Industries Limited			49.15	49.15
Guarantees Obtained				
Mr. Pramod Mittal		180.00		180.00
Mr. V K Mittal		1,786.00		1,786.00
Share of Loss in Associate				
Balasore Energy Limited	0.85			0.85
Balances Outstanding as at year end - Credit Balance				
Mr. R K Jena		9.98		9.98
Denro Holding Private Limited			245.00	245.00
Kartik Credit Private Limited			245.00	245.00
Balances Outstanding as at year end - Debit Balance				
Mudra Ispat Limited			162.23	162.23
Shakti Chrome Limited			1,638.82	1,638.82
Navdisha Real Estate Private Limited			44.00	44.00
Balasore Energy Limited	2.33			2.33

27. Excise Duty & Cess on stocks represents differential excise duty and cess on opening and closing stock of Finished Goods and processable scrap

28. The Company has decided to continue with the existing accounting policy of foreign currency transactions and not to exercise the option of deferment of exchange difference on foreign currency monetary items granted by the Companies (Accounting Standard) Amendment rules, 2009 issued by the Ministry of Corporate Affairs.

29. The Company has prepared its consolidated financial statements for the first time as the subsidiary company was acquired during the year. Hence, comparative information relating to previous year has not been furnished.

Signatories to Schedules 1 to 22

As per our Report of even date

For S. R. Batliboi & Co.
Chartered Accountants

per R. K. Agrawal
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 24th July, 2009

For and on behalf of Board of directors

R K Jena
Managing Director

C R Pradhan
Director - Operations

Trilochan Sharma
GM & Company Secretary

M Trivedi
S Mohapatra
S K Pal
A K Bhattacharyya
S K Majumdar
K P Khandelwal
R N Pandey
Directors

DIRECTORS' REPORT

The Director present there report together with the Audited Balance Sheet of the Company as at 31st March, 2009. The Profit & Loss Account of the Company for the period 21st April, 2008 to 31st March, 2009 is also presented.

OPERATIONS

The Company has incurred the total expenditure of US$ 7,877 towards various administrative expenses, audit fees etc. The Company has earned Interest Income of US$ 19 and there are no income from operation during the period and registering a loss of US$7,858.

MANGANESE ORE MINING IN BRAZIL

The Company proposes manganese ore mining activities in Brazil. The country is endowed with the large reserves of natural resources, such as, Iron Ore, Manganese, Bauxite etc. Preliminary exploration will be undertaken and upon completion thereof, detailed geological exploration will be undertaken leading to feasibility study and mine development. The manganese ore mining project is proposed to be undertaken in joint venture.

ACQUISITION OF SHARES OF THE COMPANY BY BALASORE ALLOYS LIMITED, INDIA

Balasore Alloys Limited, located in India, has acquired the entire ordinary capital of the Company i.e. US$4,360100. As a result, the Company is a wholly owned subsidiary of Balasore Alloys Limited.

DIRECTORS

The Board of Directors the Company on the date of this report consist of one Director Mr. Virrsing Ramdeny .

DIRECTORS' STATEMENT

The Director confirm that :

1) In preparation of accounts for the financial period ended 31st March, 2009, the applicable accounting standards have been followed and there have been no material departures.

2) They have selected such accounting policies and applied them consistently and made judgment and estimates that a reasonable and prudent so as to give a true and faire view of state of affaires of the Company at the end of the financial period and of the profit/loss of the Company for that period.

For and on behalf of the Board

Virrsing Ramdeny
Director

Mauritius.

Date: 26 June, 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of Milton Holdings Ltd (the "Company"), as a body, in accordance with the Companies Act 2001. My audit work has been undertaken so that I might state to the Company's members those matters I am required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for my audit work, for this report, or for opinions I have formed.

Report on the Financial Statements

I have audited the financial statements of Milton Holdings Ltd on pages 4 to 10 which comprise the balance sheet as at March 31, 2009, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with Relevant Accounting Standards and in compliance with the requirements of the Companies Act 2001. This responsibility includes:-, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of matter

Where independent confirmation was not available I have accepted assurance from the directors that all the Company's transactions have been reflected in the financial statements.

Opinion

Subject to the above, in opinion, the financial statements on pages 4 to 10 give a true and fair view of the financial position of the Company at March 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with the Companies Act 2001.

Report on Other Legal and Regulatory Requirements

I have no relationship with or interests in the Company, other than in my capacity as auditors, tax and business advisers and dealings in the ordinary course of business.

I have obtained all information and explanations I have required.

In my opinion, proper accounting records have been kept by the Company as far as it appears from my examination of those records.

Dwarka SOOCHIT
Certified Accountant, F.C.C.A

La Forge Avenue,
Palma Road, Quatre Bornes
Mauritius.

Date: 26 JUN 2009

BALANCE SHEET AS AT 31 MARCH, 2009

	NOTES	2009 us $
ASSETS		
NON CURRENT ASSETS		
Advances for Mining Project		999,779
		999,779
CURRENT ASSETS		
Loan & Advances	2	3,355,000
Cash and bank balances		4,263
		3,359,263
TOTAL ASSETS		4,359,042
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Share capital	3	4,360,100
Retained Earnings	4	(7,858)
		4,352,242
CURRENT LIABILITIES		
Accounts payable	5	6,800
TOTAL EQUITY AND LIABILITIES		4,359,042

APPROVED ON 26 June 2009.

Virrsing Ramdeny

Director

INCOME STATEMENT FOR THE PERIOD ENDED 21 APRIL 2008 TO 31 MARCH 2009

	NOTES	2009 U.S.$
INCOME		
Interest Received		19
LESS:EXPENSES		
Administrative Expenses		3,500
Professional fees		2,300
Bank charges		1,077
Preliminary Expenses written off		1,000
		7,877
(LOSS) FOR THE PERIOD		(7,858)
RETAINED LOSS BROUGHT FORWARD		—
RETAINED LOSS CARRIED FORWARD		(7,858)
(LOSS) PER SHARE	6	(0.18)

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 21 APRIL 2008 TO 31 MARCH 2009

	Share Capital U.S.$	Retained Earnings U.S.$	Total U.S.$
Balance at 21 April 2008	—	—	—
Issue of Shares	4,360,100	—	4,360,100
Net Loss for the period	—	(7,858)	(7,858)
At 31 March 2009	4,360,100	(7,858)	4,352,242

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 21 APRIL 2008 TO 31 MARCH 2009

	2009 US$
OPERATING ACTIVITIES	
Operating (Deficit)	(7.858)
(Increase) / decrease in Loans & Advances	(3,355,000)
Increase / (decrease) in Accounts Payable	6,800
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	(3,356,058)
INVESTING ACTIVITIES	
Advances for Mining Project	(999,779)
NET CASH INFLOW FROM INVESTING ACTIVITIES	(999,779)
FINANCING ACTIVITIES	
Issue of Shares	4,360,100
Preliminary Expenses	—
NET CASH INFLOW FROM FINANCING ACTIVITIES	4,360,100
INCREASE IN CASH AND CASH EQUIVALENTS	4,263
CASH AND BANK BALANCES	
Cash at bank	4,263
LESS: CASH AND BANK BALANCES PREVIOUS YEAR	
Cash at bank	—
INCREASE IN CASH AND CASH EQUIVALENTS	4,263

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 21 APRIL 2008 TO 31 MARCH 2009

These notes form an intergral part of and should be read in conjunction with the accompanying financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies adopted by the company in the preparation of these financial statements.

Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with the relavant Accounting Standards.

Foreign Currency Translation

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using -the rate of exchange ruling at the balance sheet date. Gains or losses on translation are included in the profit and loss account.

Financial Instruments

The company's accounting policies in respect of the main financial instruments are set out below:

Loans & Advances

Loans & Advances are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Payables

Payables are stated at their nominal value.

Provisions

Provisions are recognised when the company has a present or constructive obligation as a result of past events which is probable and will result in an outflow of economic benefits that can be reasonably estimated.

Comparative Figures

Comparative figures have been restated whenever necessary to conform with changes in presentation or in accounting policies in the current year.

2. LOANS & ADVANCES

	2009 U.S.$
Advances for Mining Equipments	3,355,000

The carrying amount of advances approximate their fair value.

3. SHARE CAPITAL

	Ordinary shares of U.S.$ 100.
ALLOTTED, CALLED UP AND FULLY PAID	
VALUE	U.S.$ 4,360,100
NUMBER OF SHARES	43,601

4. RETAINED EARNINGS

At 21 April 2008	—
(Loss) for the period	(7,858)
At 31 March 2009	(7,858)

5. ACCOUNTS PAYABLE

Other payables and Accruals	6,800

The carrying amounts of other payables approximate their fair value.

6. (LOSS) PER SHARE

Basic (loss) per share is based on (loss) for the period before extraordinary items of US$ (7,858) 43,601 equity shares in issue throughout the period ended 31 March 2009.

	2009 US $
7. FINANCIAL SUMMARY	
PROFIT AND LOSS	
(Loss) for the period	(7,858)
BALANCE SHEET	
Share capital	4,360,100
Revenue reserves	(7.858)

8. TAXATION

The company being not a resident in Mauritius is not liable to Income Tax in Mauritius.

9. FINANCIAL INSTRUMENTS

Fair values :

The carrying amounts of receivables, cash and cash equivalents, borrowings and payables approximate their fair values.

10. INCORPORATION

The company is incorporated in Mauritius under the Companies Act 2001 and has been granted a Category 2 Global Business Licence under the Financial Services Development Act, 2001,

11. CURRENCY

The financial statements are presented in U.S. Dollars.

12. HOLDING COMPANY

The Holding company is Balasore Alloys Limited, a company quoted on the Bombay Stock Exchange.

NOTES

NOTES

ATTENDANCE SLIP

BALASORE ALLOYS LIMITED

REGD. OFFICE : BALGOPALPUR - 756 020, DIST. BALASORE, ORISSA

TWENTY-FIRST ANNUAL GENERAL MEETING

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

DP. Id*			Master Folio No.	
Client Id*				

NAME AND ADDRESS OF THE SHAREHOLDER(S)

No. of Share(s) held :

I/We hereby record my/our presence at the **TWENTY-FIRST ANNUAL GENERAL MEETING** of the Company held at Balgopalpur - 756 020, Dist. Balasore, Orissa, on Friday, the 18th September, 2009 at 9.30 A.M.

Signature of the Shareholder(s) or proxy

* Applicable for investors holding shares in dematerialized form.

PROXY FORM

BALASORE ALLOYS LIMITED

REGD. OFFICE : BALGOPALPUR - 756 020, DIST. BALASORE, ORISSA

DP. Id*			Master Folio No.	
Client Id*				

I/We .... of
.... being a member/members of Balasore Alloys Limited
hereby appoint .... of
.... or failing him
.... of ....
as my/our proxy to vote for me/us and on my/our behalf at the TWENTY-FIRST ANNUAL GENERAL MEETING to be held on Friday, the 18th September, 2009 at 9.30 A.M. or at any adjournment thereof.

Signed this .... day of .... 2009.

Affix
revenue
stamp

* Applicable for investors holding shares in dematerialized form.

Note : The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.